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EDITORIAL

As We See It

The outgoing President has delivered his regular annual budget message, which in the circumstances serves more as a challenge to the incoming Administration than any plan of financial operations. Apparently the authorities scheduled to take office next week, and the Congress which has already started to work, are well aware of the basic nature of this situation, and it is as well that they are. Mr. Dodge, who is about to assume the arduous tasks of the Director of the Budget, and who has been devoting himself in recent weeks to an intensive study of this situation, has warned the public not to expect any "sixty-day miracles."

The facts which have led this gentleman of wide practical experience to make such a statement are in general available to all, but since in times such as these much of their impact may be lost in the emotional state of hope, it may be well to review them once again. The President's account of the budget situation on the expenditure side—the controlling aspect of the matter—is typical of all those which have come in the past from the same pen and, for that matter, those which used to originate from his predecessor. Take these paragraphs, for instance:

"This budget is dominated, as the last three have been, by the cost of national security. About 73% of all budget expenditures in the fiscal year 1954 will be for six major national security programs—military services, international security and foreign relations, the development of atomic energy, the promotion of defense production and economic stabilization, civil defense, and mer-

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Which Direction the Business Future?

By MALCOLM P. McNAIR*

Lincoln Filene Professor of Retailing, Harvard Graduate School of Business Administration

After listing optimistic elements in outlook, as increased government spending, higher capital outlays, large consumer income, decreased taxes, and stable price level; Dr. McNair asserts we are gradually accumulating ingredients of business downturn. Among threatening factors he includes: rapid growth of private indebtedness, completion of plant deficiencies, diminution of housing shortage, high tax rates and declining profits, hardening interest rates, and unstable international economic and political situation. Concludes question is timing of their result in business reversal rather than of their existence.

As we look at the general business situation in 1953, it is apparent that a change has taken place during recent months. As late as September, there were many who predicted a downturn in the second half of 1953. Today the opinion is growing that the general business level will remain high throughout the year. This change in sentiment reflects in part the business momentum arising from the vigorous rebuilding of inventories following the steel strike, and in part the optimism generated by the Republican victory and the strong hand which the new Administration is showing even before it takes office; but perhaps principally it stems from the growing realization that defense business is not a short-run proposition but is quite likely to be a permanent part of our economy for a long time to come. Nevertheless, the very unanimity of the current optimism is sufficient reason for being a bit conservative.


Prof. M. P. McNair

The argument for a recession in the second half of

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*From an address by Prof. McNair at 42nd Annual Convention of the National Retail Dry Goods Association, New York City, Jan. 12, 1953.

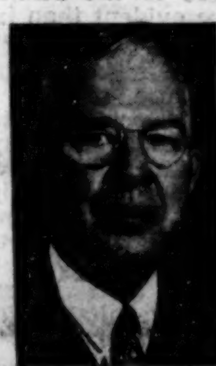
Management of Trust Department Portfolios

By PAUL B. KELLY*

First Vice-President, The Anglo California National Bank, San Francisco, Calif.

Explaining in detail what bank trust departments really do and how they conduct their investment operations, Mr. Kelly discusses trustee investment powers, particularly those granted by the State of California. Describes implications of investing under the "Prudent Man Rule," and principles that should guide trustees in investments. Calls Prudent Man Rule revolutionary.

You men, as future security salesmen, buyers and analysts, will be very much interested in the years to come in the investment activities of bank trust departments. These departments handle many types of accounts. The assets under their control are huge in amount and are steadily growing. Being strictly regulated by law, they must conform to certain standards prescribed for trustees. They may not speculate or do a number of things that may be proper for others. Instead of presuming, as some people do, that bank trust officers are all hide-bound conservatives without imagination and that they know very little about common stock investments, I believe you will find it both interesting and helpful in your work to know more about what bank trust departments really do.


Paul B. Kelly

Organization of Trust Department

The trust department is a separate department of a

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*A paper given by Mr. Kelly as one of the lectures in the "Seminar of Investment Management" at the University of San Francisco, Calif., Jan. 6, 1953. The teaching staff for the seminar is under the direction of Carl Schick, who is Public Relations Director and Manager of the Statistical Department of the San Francisco Stock Exchange.

ANNUAL REVIEW AND OUTLOOK ISSUE NEXT WEEK — The "Chronicle's" Annual Review and Outlook Issue will appear next week and, as in former years, will include the personal views of leaders in Industry, Trade and Finance on the outlook for their own businesses and the nation's economy in general during 1953.

The Security I Like Best

A continuous forum in which, each week, a different group of experts in the investment and advisory field from all sections of the country participate and give their reasons for favoring a particular security.

(The articles contained in this forum are not intended to be, nor are they to be regarded, as an offer to sell the securities discussed.)

This Week's Forum Participants and Their Selections

Strong, Cobb & Co., Inc.—Charles D. Pulis Partner, Pulis, Dowling & Co., New York City. (Page 2)

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CHARLES D. PULIS
Partner, Pulis, Dowling & Co., New York City
Members, American Stock Exchange

Strong, Cobb and Company, Inc.

"Health" is rapidly becoming one of the biggest businesses in the country. It has been estimated by an outstanding authority that within five years the prescription medicine industry will pass every industry, except foods. Witness the growth of the so-called "miracle drugs" within the last five years—the anti-biotics, cortisone, ACTH, new non-habit-forming sedatives, etc. The key to this is found in research—nowhere is the value of research more evident than in prescription chemicals, and in the field of "health."


Charles D. Pulis

Because of this my favorite growth stock at this time is Strong, Cobb and Company, Inc. — the largest and oldest private formula pharmaceutical company in the world. Seldom do private investors have the opportunity to buy into a company such as Strong, Cobb on such attractive terms as are now available. This company has been privately owned for over 100 years and its shares only recently became available to the public because of its merger with American Chlorophyll, Inc. on a stock exchange basis, 1½ shares of Strong, Cobb for each share of the 104,550 American Chlorophyll shares outstanding.

The company's business in Cleveland, Montreal, and Los Angeles consists of the formulation, manufacture, packaging, and shipping for the accounts of the pharmaceutical distributors, drug products such as capsules, powders, pills, etc.

The American Chlorophyll Division, located at Fort Worth, Fla., manufactures chlorophyll which is sold to various large users, including American Chicle, Lever Bros., and Colgate, as well as many other manufacturers of the 80-odd chlorophyll products currently being sold over the counter.

Since 1947, when Strong, Cobb was purchased from Standard Brands, the research department originally a group of three men has grown to 30 research chemists, along with a large number of control and analytical chemists who assist in the development of new products. An expanded program of research and development is now under way, being conducted jointly at their laboratories in Cleveland and Lake Worth and also under grants to many outstanding medical schools.

It is no secret that some progress has been made in the use of chlorophyll in treating of cancer and ulcers, as well as by textile companies for the deodorizing of synthetic yarns. The rubber and plastic industries are also seriously hampered by unpleasant odors. If a way can be found to mix chlorophyll with these products when they are made or can be added at some stage in the processing to permanently eliminate the odor, then another boom in chlorophyll is in the making.

The company's main plants in Cleveland, Ohio, have a total area of 262,000 square feet. The company acquired in April, 1952, 72 acres of land at Bedford, Ohio, looking forward to relocation of the entire Cleveland plant. They also have gone into full production at their suburban Los Angeles plant where they recently leased 62,000 square feet for a 10-year period, this operation being to eliminate the heavy freight burden from the Cleveland plant to their large West Coast customers. The company also operates a Canadian subsidiary, 66% owned, in Montreal, under a working agreement with the Wingate Chemical Co., Ltd.

In 1951, Strong, Cobb introduced to the market an automatic, disposable syringe needle, known in the drug trade as the Ampin—a syringe needle attached to a glass ampule by a flexible rubber tube—the only pre-sterilized, tamper-proof injection syringe on the market today. The Ampin is being used by Strong, Cobb to open the ethical drug field to its own products. We believe it is fair to assume that the volume of private formula business which this company does represents the "bread and butter" from an earnings point of view. The real future of the company lies in the ethical drug field, and the extension of their ethical drug sales on products of their own, plus chlorophyll, should permit the company to develop along lines similar to those of other large ethical drug firms whose early history parallels that of Strong, Cobb. The most important phase of this type of an operation for Strong, Cobb is the basic fact that the items in research for future sale are not the usual "me-too" type of products, but are entirely new and original in scope, covered either by patent application or royalty arrangements from outside sources, and will not be competitive with the products of their present customers.

At the present time, Strong, Cobb has in various stages of research or development 24 new drugs. It is planned that the first two of these new drugs (which the management believes to be outstanding and which the writer would like to dwell on, but in fairness to all concerned, no public information should be released until these drugs have been approved by the Federal Drug Administration) will be brought on the market early in 1953, and several others later in the year and the balance within 2 or 3 years. In addition, it is quite possible that several ethical chlorophyll products may be added to the line next year.

Strong, Cobb owns 75% of the stock of The Kath Development & Manufacturing Corp., which is developing and manufacturing automatic production machines and packaging equipment for the drug industry. The management is very enthusiastic about Kath Development and feels that the profit possibilities for this subsidiary are very large.

It is my considered opinion that the management of Strong, Cobb is outstanding. The company has in Mr. George Miller, the President, one of the really eminent and dynamic executives in the drug industry. He is the spark plug of a management team that is young, aggressive, and experienced in all phases of their business. They have been able to show conspicuous growth even for a growth industry. The basic philosophy of the company has been to build strong management, as well as develop products of merit and improve their plants and machinery.

It is my belief that the next few years should witness spectacular growth in Strong, Cobb and Company, Inc.

Strong, Cobb and Company's sales have risen from approximately $1,500,000 in 1942 to over $8,800,000 in 1951, and are expected to approximate $12,500,000 for 1952. Pre-tax earnings on a combined basis, after heavy research, development and merger expenses, as well as nonrecurring expenses involved with the training of personnel for its new plant could be about $1,400,000 or double 1951 pre-tax earnings. *1953 results should improve considerably.*

The company is in the top Excess Profits Tax bracket at the present time, and therefore, expiration of the E.P.T. law on June 30, 1953, would be of considerable importance.

Because of the anticipated growth and expansion of Strong, Cobb in the next year, any discussion of cash dividends would be premature, but it is the opinion of the writer that commencing in 1953, stock dividends may be expected from time to time.

Based on the price earnings ratio at which other pharmaceu-

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DR. MAX WINKLER
Partner, Bernard, Winkler & Co., New York City
Members, New York Stock Exchange

International Railroad 4½s, 1947 (Additional Information)

Subsequent to the appearance on this page in last week's issue of his commentary on International Railroad 4½s of 1947, Dr. Winkler advised the "Chronicle" as follows:

"I regret extremely that one sentence was left out when the story was prepared for publication. I am referring to my essay on International Railroad of Mexico Prior Lien 4½s, 1947, assented under the so-called "B" Option. All redemptions or drawings by lot of these bonds under the "B" plan are paid at the rate of 80% of the amount indicated in the article. In other words, if a bond is to be redeemed at, let us say, $260 per bond, the actual amount paid to the owner will be 80% of this figure, or $208."

The Outlook for 1953

By RAYMOND RODGERS*
Professor of Banking, Graduate School of Business Administration and in the School of Commerce, Accounts and Finance, New York University

After briefly discussing methods of evaluating the future, Dr. Rodgers surveys current fiscal and business outlook. Foresees as highly improbable any consequential tax reductions since heavy unspent military appropriations "guarantee that coming fiscal crop will be an expensive one." Says business outlook is more encouraging.

In every sense of the word, a new year lies ahead. After 20 years of New Deal, we are to have a new political Administration in Washington; and, after 12 years of almost steady boom, it is generally thought that we shall have a change in economic trend some time before 1954. Certainly, 1953 will be a momentous year.

Raymond Rodgers

Investment men must base their policies and actions on their personal estimates of future economic and international political developments. In the long ago, it was much easier. All the man of responsibility had to do in those times was to consult an astrologer, a soothsayer, an oracle or mayhap, a real prophet, and that took care of everything.

Nowadays, men in finance must personally keep ahead of developments or they will not last long! There are three well-recognized methods of doing this:

One way is to determine a "normal" by looking at past performance and calculating some kind of average—usually a "loaded" average—as being the level to which the future economic and social phenomena will gravitate. **This method weighs the past too heavily.** It does not give proper weight to the dynamic nature of the American economy, with its ever higher productivity and its ever higher standard of living; nor, does it take into account the highly abnormal international political situation.

Another way is to project current trends into the future. **This method weighs the present too heavily.** It comes so naturally, however, that we must continually guard against both its conscious and subconscious effects.

The third, and best, way to appraise the future is to make a careful analysis of the **future** forces which may be expected to operate in the economy. This method gives due weight to the past and the present, but concentrates on weighing future probabilities. Let us apply this method of looking forward and analyzing basic forces to the Federal fiscal outlook and, after that, to the business outlook.

The Federal Fiscal Outlook

At the risk of being considered a Cassandra, I venture the opinion that too much is being expected on the fiscal outlook.

The Republicans have promised to cut at least $10 billion out of the budget; but I seem to recall that Roosevelt, too, was elected on an economy platform! In the months ahead, the Republicans will talk a great deal about the cuts they are making in the Federal spending but, unfortunately, unfolding events may make such efforts merely another of the bitter ironies of our time.

Government spending largely depends on Russia. Using Korea as an example, it seems certain that General Eisenhower will abandon the discredited Truman policy of "waiting it out." As it is inconceivable that we would get out of Korea and abandon the South Koreans to the Communist butchers, the only apparent alternative is a full-scale offensive. Furthermore, if we don't step up the war next spring, the Communists may do so. As the Communists have grown greatly in strength during the abortive armistice talks, this, in all probability, means that a much more expensive operation is coming up in Korea. And, of course, you shouldn't forget Indo-China, Malaya and the many other trouble spots which require money.

Of course, as against this gloomy outlook, there is always the hope, and even the possibility, that Russia may resume her "peace" offensive. This could take the form of:

(1) An international conference of the Big Four—the mere calling of such a conference would ease international tension.

(2) A real truce in Korea.

Any developments along these lines would, obviously, have a great impact on business sentiment and activity.

Even on the basis of the present scale of military operations and rearmament shedules, total Federal expenditures of more than $80 billion **should** be provided for in the 1953-54 budget. Please note that "**should be**" qualification. It is possible, in fact, probable, that neither Truman's 1953-54 budget nor Eisenhower's amendments to it will fully face up to this heavy spending prospect! Comparison of this $80 billion prospect with Truman's probable expenditures of $74.5 billion in the current fiscal year shows that the Republicans will have to cut 1953-54 plans by nearly $16 billion, to make good their promise to reduce Democratic spending by $10 billion! Does anyone seriously ex-

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*A talk by Dr. Rodgers at a Luncheon meeting of the Bond Club of Chicago, Jan. 7, 1953.

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Portable Pipe Lines

By IRA U. COBLEIGH
Author of "Expanding Your Income"

A compressed account of delivery of liquid petroleum in bottles for stoves, tractors and trucks, beyond where the gas mains end.

If you see the letters LP on a phonograph record it means "long playing"; but if you see those same letters on a big metal bottle they'll stand for "Liquid Petroleum," a combination of butane and propane gases, pressure-squeezed into liquid form, but returning, chameleon-like, to gas once the pressure is off. And where do you get this petroleum team of butane and propane? From natural gas or the refining of crude oil.

Ira U. Cobleigh

Somewhere along the line, when you weave through the various stages from crude petroleum to gasoline, there are disgorged as by-products, a couple of stray hydrocarbons — propane and butane. These two elements, suitably mixed and pressurized into steel cylinders (for shipping and handling convenience) become a liquid sold as "bottled gas" in wide stretches of our rural and seashore areas where no gas mains have, as yet, penetrated. This bottled gas, being a very hot and efficient fuel, has importantly displaced kerosene, wood, coal, or all three, as heating agent for stoves; and in Southern climes space heating (houses, that is, not interplanetary space).

Importance to Industry

Further than that, farmers have drummed up some vital and expanding uses for this amazing and volatile fuel. Tractors burning LPG instead of gasoline, appear to generate more horsepower, carbonize less, and maintain operating efficiency longer; and they are less prone to wind up in repair shops for overhauling. Ditto for trucks and threshing and wood-sawing engines. Quite recently, too LPG has been employed for curing tobacco, for weed burning, hay drying and brooder heating. Yes, LPG has a lot of uses, and is winning new friends, even against traditional competition of gasoline, diesel oil and electricity. A hot, clean fuel, competitive on a price basis, and one that notably fails to foul engines or stoves with carbon residues, is a gas with a future. And the distributors have the evidence to prove it.

Of course, all the big oil companies produce this fabulous vapor. Some have engaged in the distribution but many prefer to sell it to dealers who take it away by trucks and sell and service retail buyers. Retail organizations that have developed dependable delivery service, and coupled that with the sale of appropriate appliance to inhale the gas, have built up a quite impressive and expanding field of enterprise. So let's look at a couple of companies which, from quite modest beginnings, have moved up to a position of discernible importance both as fuel merchants, and as corporations whose securities attract investors.

Suburban Propane Corp.

About 1927 a progressive and energetic gentleman named Mark Anton got the idea of selling this bottled gas in New Jersey. He formed the Suburban Gas Company to popularize and distribute this clean, convenient fuel out in the sticks where gas lines were non-existent. After a bit of hard plugging the products caught on; Phillips Petroleum agreed to sell gas to Suburban in quantity for resale, and by 1945 New York Security Underwriters offered the financing accommodations ($13 million) for an expanded company. Thus the new corporate creature, Suburban Propane Gas Corporation, emerged. In 1946 it did not quite $6 million in gross; but by the end of 1952 it was supplying LP Gas to 265,000 customers scattered over a wide geographic swath in Connecticut, Massachusetts, Rhode Island, New York, New Jersey, Delaware, Maryland, Pennsylvania, Ohio, South Carolina, Virginia and Tennessee.

Further, to develop sales of gas, it was doing a land office business in the sale of appliances—water heaters, ranges, house heaters, brooders, dryers and incubators. Of 1952 gross, placed at roughly $23 million, around 16% may be derived from these vital and business-productive appliance sales.

While Suburban started out up North, where home gas sales are mainly for cooking, on Dec. 31, 1951 it purchased the Rulane Gas Company of Charlotte, N. C. This acquisition added almost 70,000 customers, provided geographic diversification, and brought in quite a bit of space-heating sales. Another item in the Rulane Gas Company package, was a tank and cylinder manufacturing plant. This is profitable, supplies the needed storage and customer-delivery containers to Suburban, and to others as well.

Finally Suburban, in 1951, entered the fertilizer business by distributing anhydrous ammonia. The stuff comes in bottles like LPG, and is nozzled into the ground in furrows by specially equipped gas-jetting tractors. It makes for a fertility not to be sniffed at.

The prospectus of Nov. 19, 1952 shows Suburban Propane with 955,521 shares of common, following 143,000 shares of $50 par convertible preferreds, and $16.3 million of debt. Common earned $1.29 for eight months through September of 1952 and indicates a $1.20 dividend basis. Quoted around 19, Suburban has shown a whacking growth, management savvy and a lot of sales dynamics.

General Gas Corp.

A second worthy entry in this portable gas business is General Gas Corporation. This forward-looking enterprise is the lengthened shadow of two energetic gentlemen, Rawlston D. Phillips and Hal S. Phillips, who started out on a very small scale back in 1937, in Baton Rouge, La. The outfit grow steadily, buying LP gas from leading companies such as Warren, Gulf, Shell, etc., and delivering same by tank trucks (company now has 200) for the most part, into permanently installed tanks owned by consumers. Just so it can control its business from the egg to the chicken, General Gas also owns and operates Delta Tank Co., largest U. S. manufacturer of LP Gas Tanks.

Thus, General Gas sells a man a tank, on time if he's doughshy; they sell him a stove, a refrigerator, an air conditioner, a furnace or a water heater. Just to make ownership of all these thermal baubles easier, General Gas will let the customer pay for them by adding a few cents a gallon to each delivery. Everybody's happy, the client discards the chopping block, and General gets a customer—has around 80,000 of 'em right now in Louisana and the western half of Mississippi.

General Gas depends, more than Suburban, on house heating, so a warm winter can dip the earnings. This seasonal factor, however, is being rapidly offset by burgeoning commercial and industrial sales. Truck, tractor and farm vehicles are switching to LPG, and that's duck soup for General Gas. The Tank company also has some big artillery shell contracts with the government.

For 1951, gross sales of General were $8 million, $3.1 million of this being sales of tanks and appliances, so persuasive to future gas sales.

For 1952 a fair guess of net earnings would be $1.25 on each of the 520,000 common shares. Present dividend rate of 70 cents could conceivably be jogged up a bit on the basis of current results. Today's quotation $12 a share.

It's quite obvious that General Gas Corporation is a well integrated and expanding organization. When any one in rural Louisana asks "What's cooking?" a likely answer will be "General Gas."

This whole LPG deal is fascinating. Total U. S. sales have zoomed from 1,067,979,000 gallons in 1945 to 4,100,000,000 gallons in 1951. While some have thought that penetration of gas mains into more rural sections would give these distributors a competitive rub, efficient service and delivery, plus selling and installing the appliances and tanks tends to hold customers. Also, all the new uses for vehicles, drying, painting, and crop treatment suggest sustained growth. Further, as urban population pressures send additional hundreds of thousands of people to rural residence, and new cottages appear on mountain, woodland and seashore, new buyers of LPG will be thankful for a tankful.

On the supply side, there are hundreds of small distributors with only a truck or two and quite under capitalized. These are logical units to be merged with companies like the ones we've discussed, or to become the nucleus of a new corporation. Portable pipe lines are profitable and they may proliferate.

Needed: A Commission to Study Money Problem

By W. L. HEMINGWAY
Chairman, Executive Committee, Mercantile Trust Company, St. Louis, Mo.

Midwestern bank executive recommends Congress set up a currency commission composed of representatives of various groups to determine whether or not we should again use gold to redeem our currency and, if so, how shall we go about it. Would exclude economists from membership in the commission.

Money, especially paper money, is little understood by most people, and the confusion that exists is compounded by the ill informed and sometimes selfish statements that are made on this complex and difficult subject. But history provides countless proofs of the benefits derived from a sound money and the penalties exacted from short-sighted and useless efforts to prosper with an unsound currency. As far back as recorded history goes, gold has been the universally accepted money. In all lands at all times gold has been able to buy goods and services, and today everywhere except where it is proscribed by law, it is eagerly accepted. It comes nearer to being the standard of value in terms of which all other things are measured than any other medium of exchange that man has ever devised. Now with many nations, large and small facing bankruptcy, gold is more and more earnestly sought in order to bolster their weak and fluctuating paper currencies. Businessmen and statesmen in those countries are recommending programs of great austerity to enable their countries to increase their stocks of gold in order to secure sound monetary systems. They know that however well they may administer their paper currencies at home, the test will come when that currency is offered abroad. The foreigners will put the true appraisal on it, for no laws or edicts can force them to accept it at any fixed value. We have illustrations of this all over the world today in the fluctuations in the pesos, the cruceiros, the sucres, the lires, the francs, etc.

W. L. Hemingway

U. S. Not Blameless

But we are not blameless in our own country. According to Paul Bakewell's fine book on money, even the U. S. Treasury doesn't know what our paper money is because the term "lawful money" has not been defined by law. If you present a $10 bill for redemption, they merely give you another one, and if a $1 silver certificate is presented for redemption, the holder is given a silver coin called a dollar and containing 65 cents worth of silver. All will agree that such a currency is illogical and unsound. And yet my heart has beat with pride when I have seen the alacrity with which people all over the world have accepted our paper money. Why is this? The reason is that the foreigner knows that our government authorizes the redemption of our paper money in gold at $35 per ounce when presented by a friendly government or its central bank, less a small charge for handling. So the foreigner is in the position of having the option of using his dollars to buy from the vast store of goods available in this country or of converting them into gold. I hope I live to see the day when the U. S. citizen has the same option.

There are those who say that gold has gone out of style, that a managed currency fitted to the changing needs of modern times best suits the interests of all the people. This is too silly to deserve an answer, but I suggest that anyone holding such views take a trip abroad and visit those countries which are pursuing that policy. He will see countries with steadily increasing regulations requiring a strong police to enforce them—countries where the people have less and less of the good things of life.

And then at the other end of the scale are those who want us to adopt tomorrow the gold coin standard under which we prospered for half a century. To them I would advise patience. I have the greatest sympathy with the goal they seek, but I believe that before that step is taken we should know that our government is committed without question to a sound fiscal and financial policy. We should know that our proposed action would not be harmful to those nations with which we have military alliances because we certainly do not want to weaken them financially while we are attempting to strengthen their economic life. There are many things to consider.

Urges Currency Commission

But it seems to me that now with a new and conservative Administration coming in we should have a look to see into this subject. I recommend that the Congress appoint a currency commission consisting of men in government who have familiarity with the subject, men of finance and others who have had experience in this field. With all due respect to my many friends in that profession, I would suggest that no economists be put on the commission because they are generally committed to some monetary theory so strongly that they would have decided the issue before its work was begun. Their best service would seem to me to be as witnesses to inform the commission on historic facts and theories on the subject. The commission should be instructed—

(1) To determine whether or not we should again use gold to redeem our currency. If the answer is yes, as I would expect it to be, then:

(a) How shall we go about it.
(b) When shall we do it.
(c) Shall the gold content of the dollar be increased or decreased.

(2) To report its findings and recommendations by July 1, 1954.

I believe that in this way a thorough study can be made of our entire monetary system and out of it can come a paper currency which will have the confidence of all at home and abroad; and I hope that our great trade associations will support this suggestion.

Elected Directors

W. Sydnor Gilbreath, Jr., President of First Michigan Corp., Henry U. Harris of Harris, Upham & Co., and Robert R. McMath, Chairman of Motors Metal Mfg. Co., have been elected directors of Detroit Fire & Marine Insurance Co., it has been announced by Hubert Lehr, Vice-President and Secretary. The firm is a member of the Great American Group of insurance companies.

The State of Trade and Industry

Steel Production
Electric Output
Carloadings
Retail Trade
Commodity Price Index
Food Price Index
Auto Production
Business Failures

Total industrial production pushed forward last week from the reduced level of recent weeks as many industries resumed operations following the widespread shut-downs occasioned by the Christmas and New Year holidays and that of inventory-taking.

While total output managed to hold moderately above the level of the like 1952 period, it was under the near-record level attained several weeks ago. In the field of employment, claims for unemployment insurance benefits rose slightly, as was the case in the prior week, but they were less numerous than the year before.

Discussing the subject of consumer goods, Mr. James H. Jewell, Vice-President of Westinghouse Electric Corp., predicted that demand will hold high for the next 10 years. He based his forecast on the "millions of new households expected to be formed in the years ahead." Prior to 1940, Mr. Jewell added, "new households were formed at an annual rate of about 500,000. That rate will be doubled this year. If we add to these figures the demand for new products to replace worn-out and obsolescent household goods, the market for this merchandise becomes very strong indeed," he declared.

Business inventories totaled $75,500,000,000 at the end of November, or $730,000,000 higher than a year earlier, the United States Department of Commerce currently reports. After allowance for seasonal variations, the book value of manufacturing, wholesale and retail inventories rose $450,000,000 above the October total.

The market for consumer durable goods is approaching its first real test in nearly three years, reports "The Iron Age," national metalworking weekly. Lifting of controls and ever-increasing steel production are expected to pave the way for a showdown. Manufacturers who have been clamoring almost without letup for more steel will likely get a chance to find out how much they can use, this trade paper notes.

This will put the test up to their sales forces. To the degree that their sales people are successful, they will be in the market for steel in the second half of the year. Most observers consider it a foregone conclusion that high production rates and a tight market will extend through the first half.

Fresh evidence of strong steel demand has been turned up this week. "The Iron Age" has learned that at least two of the biggest auto producers have booked conversion steel through the second quarter. The third member of the Big Three is expected to follow suit.

This is an important indication of steel market strength. The auto industry has long been the backbone of the conversion market, and is the steel industry's biggest customer. Operating under strict government controls, last year it received over 17% of total finished steel shipments and in 1950 21.8%.

The big production push of auto and appliance industries is being reflected in emergency production demands on their suppliers. Stampers, particularly, report business rivaling their boom of 1950. Many of their orders are short run jobs labeled "emergency, rush," states this trade authority.

Many manufacturers apparently are paying little or no attention to restrictive government quotas on steel use. This is evidenced by production targets much higher than can be realized from scheduled allotments. This is interpreted to mean that: (1) They have already discounted steel controls, or (2) they are confident they can fulfill material needs even under government restrictions, states "The Iron Age."

Most steel consumers seem to feel they will fare better in a free market than they have under government controls.

The tight steel market has been a lifesaver for small and non-integrated producers. Post-strike shortages have enabled them to build healthy order books. With the exception of some wire and specialty items their order books are now loaded. When steel supply and demand start swinging into balance they will be among the first to feel it, concludes "The Iron Age."

Automotive production last week bounced back strongly from the holiday-shortened previous two weeks.

"Ward's Automotive Reports," statistical agency, said 105,223 cars were turned out last week, 33% more than the 79,125 in the preceding week and 68% higher than the 62,500 in the like week a year ago.

General Motors Corp. divisions scheduled 43,805 cars for the week, their highest volume since late October, said "Ward's." G.M.

Continued on page 36

Preferred Stock Offerings in 1952

A total of 77 major issues of preferred stocks was offered during 1952, compared wtih 93 issues offered in each of the years 1951 and 1950, 69 preferred issues in 1949 and 76 issues in 1948, according to the annual compilation of preferred stock offerings prepared by Union Securities Corporation, 65 Broadway, New York 6, N. Y.

Convertible preferred stocks enjoyed another good year in 1952 with 38 of the total of 77 issues offered carrying conversion features. In 1951, of the 93 preferred issues offered, 52 had conversion features.

Public utility stocks constituted the largest group, numerically, last year, with 41 utility preferred stock issues offered of the total of 77 preferred issues. This represented an increase over 1951 when 37 utility preferred stock issues were offered in the total of 93 preferred offerings.

A total of 22 industrial preferred stock issues was sold last year, and the remaining 14 issues offered included shares of chemical, department store, finance, retail chain and food companies. Nine preferred stock issues were placed privately in 1952, against 11 such placements in the previous year.

The compilation of 1952 offerings lists the 77 issues alphabetically and then gives the month in which each offering was made; dividend rate; issue price, and the year-end bid and asked prices.

COMING EVENTS

In Investment Field

Jan. 16, 1953 (Baltimore, Md.)
Baltimore Security Traders Association 18th annual Mid-Winter Dinner at the Lord Baltimore Hotel.

Jan. 16, 1953 (New York City)
New York Security Dealers Association 27th Annual Dinner at the Biltmore Hotel.

Jan. 22, 1953 (Detroit, Mich.)
Bond Club of Detroit 37th Annual Dinner at the Sheraton Cadillac.

Jan. 26, 1953 (Chicago, Ill.)
Bond Traders Club of Chicago Annual winter Dinner and installation of officers at the Furniture Club.

Jan. 27, 1953 (Minneapolis, Minn.)
Twin City Security Traders Winter Dinner.

Jan. 29, 1953 (Kansas City, Mo.)
Kansas City Security Traders Association Winter Dinner.

Feb. 9, 1953 (New York City)
American Stock Exchange annual election.

Feb. 11, 1953 (Boston, Mass.)
Boston Securities Traders Association Annual Winter Dinner at the Sheraton Plaza at 6 p.m.

Feb. 13-14, 1953 (Chicago, Ill.)
Investment Bankers Association of America winter meeting at the Edgewater Beach Hotel.

Feb. 20, 1953 (Philadelphia, Pa.)
Investment Traders Association of Philadelphia annual Mid-Winter Dinner at the Benjamin Franklin Hotel.

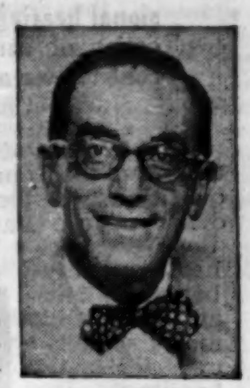
May 7-8, 1953 (San Antonio, Tex.)
Texas Group Investment Bankers Association of America Spring Meeting at the Plaza Hotel

Observations . . .

By A. WILFRED MAY

Some Realism About Our Foreign Aid

At long last a Presidential mission has come through with a realistic and useful result! We refer to out-going Secretary of Commerce Charles Sawyer's recent review of current European business and economic problems and progress, gleaned from on-the-ground inquiry on a visit through 10 European countries from Oct. 31 to Dec. 8 last. Particular attention was devoted to the effect of our business policies on business in other countries.



A. Wilfred May

The happy outcome of this project, as spelled out in the so-called "Sawyer Report," seems importantly due to the makeup of its participating personnel. The team was composed of two of the nation's leading industrialists, Charles R. Hook, Board Chairman of Armco Steel, and Langbourne M. Williams, Jr., Freeport Sulphur, President; two of our sounder government officials, Andrew N. Overby, Assistant Secretary of the Treasury, and appropriately enough, J. Thomas Schneider, Assistant Secretary of Commerce; and Vice-Chairman Hawthorne Arey of the Export-Import Bank.

The findings are interesting and important in various directions, as in supporting former ECA chief Paul Hoffman's apparent gradual shift of position to urging discipline on the recipients of our international largesse; in making available an invaluable guide for Mutual Security Administrator-designate Stassen; in indicating the opportunity to abolish surplus emergency agencies; in depicting important Point Four results; and, finally, in showing the need and opportunity for retaining objectivity in governmental inquiries into controversial questions.

The overall theme that the ultimate solution to the economic problems of Western Europe lies not in the United States but in Europe itself, is pervading.

Questions explored include: the effect of United States tariff policy, subsidies, and quotas; conversely, the effect of other countries' restrictions on imports of U. S. goods, especially in the consumer sphere; means being taken to solve that seemingly perennial dollar deficit problem; the impact of rearmament on the domestic economies; impediments to private American investment; and, quite novel, the possibilities of improved psychology in connection with economic relationships.

And six specific constructive suggestions are succinctly urged.

Foreigners' Eyes on White House

The inquirers report that, like Americans here, all foreigners are intensely interested in our future policies to be instituted under the new Administration. They are worried about possible further aggravation of our tariff attitudes, per the recent "High Tariff" assurance from Commerce Secretary-designate Sinclair Weeks, which have already been worrying European businessmen incurring the expense of promoting enterprises for exporting commodities to the United States. The transatlantic producer must have assurance that our tariff policy affecting him, will not be arbitrarily reversed if and when he actually succeeds in finding a receptive market in the United States.

Deflation Psychology

In the "public relations" field the mission interestingly reports that some of our tariff actions which are apparently unimportant or unknown to our citizenry, as those affecting dried figs and raisins, have profoundly disturbing effects all over Europe.

Also in the realm of the people's psychological climate, analogous to the situation here, is new and increasing awareness in European government, business, and even labor circles of the need to deal with inflation, even at the cost of invoking unpopular measures. Our group reports that in Greece, where Marshall Papagos won an overwhelming victory, one of his ministers very wisely commented that the finest product of the victory would be the opportunity it would give to invoke some measures that are unpopular.

Investment Guarantees Frowned On

The likely course of private capital investment, rendered particularly important by the UN's recent passage of the Uruguayan

Continued on page 16

Proposed Changes in Bank Reserve Requirements

By C. R. WHITTLESEY*
Professor of Finance and Economics,
University of Pennsylvania

Prof. Whittlesey, in pointing out prevailing view of importance of bank reserves as means of controlling bank deposits, rather than as a source of liquidity, reviews opinions expressed in the Patman Congressional hearings regarding efficacy of reserves as means of credit control. Holds data produced by Congressional hearings are not calculated to produce immediate modification of current bank reserve provisions, and warns credit controls, as a whole, cannot always be relied upon to prevent inflation or preserve economic stability.

The old view of bank reserves is that they are primarily for liquidity. This view, on the evidence of the Patman investigation, is still held by many bankers and apparently by most spokesmen for state banking authorities. It would probably be expressed in nearly all texts published 25 or more years ago but in very few of the recent texts.

Dr. C. R. Whittlesey

The prevailing current view is that the primary importance of reserves lies in their being a means of controlling the volume of bank deposits. This is the view expressed by, among others, the representatives of the Federal Reserve System and by many bankers, especially those in metropolitan areas.

There is still another aspect of required reserves that deserves more attention than it has received. That is that they are non-earning assets. Opposition to the control of credit by means of higher reserve requirements is not so much to the control as it is to the enforced holding of non-earning assets. The public relations problem of credit control could undoubtedly be simplified by making it less expensive to the banks controlled. One of the most interesting points in the entire Patman discussion of reserves is the reason given by several member bankers why they did not favor subjecting non-members to the same reserve requirements as member banks. Because non-member banks are not subject to these requirements, they said, the Reserve authorities are inhibited from making greater use of this instrument. That is to say, they approved exempting non-member banks on the ground that this was a check on the raising of reserve requirements.

The influence of direct pecuniary considerations on the attitude of bankers and others toward credit control is manifest in the current enthusiasm of lenders of all types for the policies of the Federal Reserve which have resulted in higher interest rates. It would be pleasant to believe that this particular **Accord**, the remarkable accord between Federal Reserve authorities on the one side and bankers and other lenders on the other side in maintaining that higher interest rates are desirable, was the pure distillation of intellectual processes. I suggest, however, that it is strongly influenced by the fact that the policy has greatly increased the profitability of lending. And I warn you to expect that the enthusiasm on the part of lenders for general credit controls will become many degrees cooler when the time comes that these policies are directed toward establishing lower, rather than higher, interest rates.

What the "Special Security Reserves" Are Not

The proposals, discussed at some length in the Patman documents, for requiring special security reserves can best be discussed by indicating what they are not. They are not a limitation on deposits in the sense that cash reserves are traditionally supposed to be. Bank reserves from Adam Smith's time onward signified specie which was physically limited in amount. Much of our thinking on reserves, as on other aspects of money, has been colored by the commodity origins of money which were behind this conception of bank reserves. The reason why security reserves do not provide the traditional sort of check on deposits is precisely because such security reserves are not necessarily limited in amount.

We have had experience with security reserves against circulating medium. The bonds back of National Bank notes, introduced at a time when banknotes were not too remote in importance from the present status of demand deposits, were of this character. The Reichsbank notes which produced the great German inflation had security reserves behind them. The fact that National Bank notes did not become excessive may be attributed to other limitations which went along with the security reserves and not to the reserves themselves.

Special security reserve requirements are, essentially, a device for compelling banks to hold the securities which constitute the reserve. In the Patman terminology, they are a "locking-in" device. One of the main reasons for the provision in the National Bank Act, it will be recalled, was to induce banks to acquire and retain government securities. Recent support for the requirement has been strongest among those who saw in this provision a means of insulating the market from the sale of such securities by banks.

The security reserve proposal must also be viewed from the standpoint of cost to the bank. The basic fact is that in contrast to cash reserves they do not represent a non-earning asset. The proposal was favored by some bankers who looked upon security reserves as a partial substitute for cash reserves. Given this choice, there was a preference for reserves in earning, rather than in non-earning, form. On the other hand, they were opposed by other bankers who looked upon them as additional to the cash reserves required. With this as the choice bankers feared that security reserves would compel them to hold earning assets in less profitable or otherwise less desirable form.

Prospects of Reserve Modifications

An evaluation of the prospects of all the modifications of reserve requirements mentioned in the Patman documents is too lengthy for inclusion here. The one suggestion that seems to have the best change of adoption is for counting vault cash as part of required reserves. This proposal had the blessing of the Federal Reserve authorities at the time of the Douglas Committee proceedings and seems to be generally favored by the banking community. We may also expect to hear a good deal from time to time about payment of interest on reserve balances held with the Federal Reserve Banks. While such a policy would make it possible to restrict deposits without adding to non-earning assets, it would raise other problems which make its adoption appear out of the question. Other suggestions, such as further power to raise reserve requirements, extension of the same requirements to non-member banks and the so-called uniform basis of reserve requirements, face sufficient opposition to render their adoption unlikely under present conditions. The opposition is influenced by possible cost to member and non-member banks and by sheer inertia and hostility to change.

Similar considerations can be counted on to prevent the adoption of less conventional measures such as special security reserves, reserves against assets and supplementary reserve requirements against increases in deposits. Opposition to these devices also arises out of features of the plans themselves, some of which were mentioned above, and especially out of probable administrative complications.

The Patman materials are not calculated to lead to any immediate modification of reserve provisions. They have helped, however, to focus attention on the control function of reserves and they have given publicity to various plans for extending such control. That the first test of any control measure is its ability to control should be self-evident. And that there are many possible ways of exercising control over the expansion of bank credit will be more widely recognized because of these documents. Only time can tell whether or how rapidly we shall move toward still more direct means of control such as taxation or limitations on the volume of bank credit, devices which have received greater recognition abroad and even—in connection with banknotes—in the earlier history of this country.

Good and Bad Central Bank Administration

One is tempted to say that there is no such thing as a bad instrument of central bank policy that works; there is only bad administration of it. While this is a valid principle it is necessary to understand clearly what constitutes good and bad administration. In particular, good administration signifies making no use at all of the more stringent measures except under conditions of utmost emergency, and even then with judgment and expertness. There is the further thought that no instrument of central bank policy is good unless it does work out as intended. Both ideas must be interpreted in the light of conditions, for it is quite possible that a particular instrument may prove affective at one time and not at another. That is one reason why it is so essential to maintain a full complement of Federal Reserve instruments of policy.

There is at present a disconcerting uniformity of opinion that the general credit controls have been shown to be an effective means of curbing inflation. It will be a happy outcome indeed if the general controls prove equal to preserving an acceptable degree of stability in the economy. There is the danger, however, that acceptance of this comfortable assumption may lead us to rely too fully upon these methods and thereby involve us in unnecessary difficulties in case they are not adequate to deal with some future emergency. If that should happen we should merely be repeating the mistakes of the '20s, which brought a rude shock to earlier overconfidence in general methods of Federal Reserve credit control.

Contrary to what has been repeatedly asserted, it is by no means certain that the Treasury-Federal Reserve Accord and the credit policies followed since have made any significant contribution to the curbing of inflation and more specifically to inducing the current downward trend of wholesale prices. It is true that predictions that abandoning par support would lead to chaos in the government bond market were not borne out, but such alarmist predictions were unwarranted from the start—even though no one expressed them more positively than the Chairman of the Board of Governors in 1948. Likewise the factor of cost to the Treasury was, from a broad economic standpoint, of minor consequence. But it is on the positive arguments that were advanced for allowing interest rates to rise that the greatest uncertainty remains.

It was maintained that by allowing interest rates to rise, i.e., governments to fall below par, insurance companies would be stopped from selling governments, borrowing by corporations would be checked, and the rise in circulating medium would be brought under control. But this is not at all what happened. Sales of governments by life insurance companies, and also by mutual savings banks, were if anything more active after the Accord than before. Corporate security issues, especially for new money, were much heavier following the Accord and have continued so up to the present. The expansion of currency and deposits was perceptibly more rapid after the change of policy than before; at different times it has been demand deposits, currency or time deposits that have shown the most rapid change but in no way does the view appear vindicated that higher interest rates exerted a significant deterrent effect.

The obvious defense that the increase in these items would have been still greater if interest rates had been kept from rising cannot, of course, be empirically disproved. No such hypothetical defense, it may be remarked, is necessary in the case of Regulation W where the correlation between changes in the volume of consumer credit and changes in the terms of Regulation W is dramatically apparent. In any case, it is important to recognize that the positive argument for the abandonment of a support policy, that it would have the restrictive effects mentioned, presumably in a degree that could be perceived, have not been fulfilled.

General Market Conditions Affect Commodity Prices

It appears that general market conditions rather than general credit controls were chiefly responsible for the downward movement of wholesale prices since early in 1951. It will be recalled that a considerable drop in both wholesale and consumer prices occurred in 1948-49 at a time when the support policy was in full sway. Following the first inflationary rise after the outbreak of fighting in Korea, prices held stable or declined for a period of several weeks in the autumn of 1950, only to leap upward again with the start of the Chinese phase of the war. This easing of prices was not prevented by the existence of an active bond support policy. It was apparently a reaction from the previous wave of overbuying and a reflection of the growing belief that a general war with accompanying commodity shortages was less probable than had at first been thought. The same considerations account for the downward trend on prices since the Accord, with the added fact that there has been time for the steady and substantial growth in production of a great variety of goods to exert its effect on relative supplies and on the psychological attitude of the buying public.

There is widespread opposition to additional reserve requirements as there is to various other supplementary control devices. For the most part the criticisms directed against them seem to prove that none of them is perfect or sufficient to do the job by itself. The point can be conceded in advance. The relevant issue, however, is something quite different. It is whether some at least of these devices possess virtues which may, under conceivable circumstances, outweight their disadvantages. And further, whether the general controls now in such high favor may reasonably be expected to require supplementing in some not improbable future.

My own guess is that we are tending today to overvalue the discount rate and open market operations and to undervalue some of the alternative devices, of which modifications of reserve requirements are by no means the last or necessarily the best.

*A paper delivered by Prof. Whittlesey at a meeting of the American Finance Society, Chicago, Ill., Dec. 28, 1952.

Fred O. Cloyes With Marshall Company

(Special to THE FINANCIAL CHRONICLE)

MILWAUKEE, Wis. — Fred O. Cloyes and Charles W. Brown, Jr. have become associated with the Marshall Company, 765 North Water Street. Mr. Cloyes was formerly in charge of the trading department for Heronymus & Brinkman, Inc., of Sheboygan, and prior thereto was with Cruttenden & Co., and Geyer & Co., Inc., in Chicago.

Frederick O. Cloyes

Francis Abshire V.-P. J. R. Phillips Inv.

HOUSTON, Texas—J. R. Phillips Investment Company, State National Building, announce that Francis I. Abshire, manager of the municipal department, has been elected a Vice-President of the firm.

Chesapeake & Ohio Ry. Equip. Tr. Ctfs. Offered

Salomon Bros. & Hutzler and associates are offering today (Jan. 15) $7,200,000 Chesapeake and Ohio Railway Equipment Trust of 1953 3% serial equipment trust certificates, maturing semi-annually Aug. 1, 1953 to Feb. 1, 1968, inclusive. The certificates are priced to yield 2.20% to 3.10%, according to maturity.

The certificates are to be secured by new standard-gauge railroad equipment, including 25 diesel electric freight and passenger and road switching locomotives, 500 70-ton hopper cars, and 250 70-ton covered hopper cars, estimated to cost $9,012,454. Issuance of the certificates is subject to authorization by the Interstate Commerce Commission.

Other members of the underwriting group are: Drexel & Co.; Union Securities Corp.; and Stroud & Co., Inc.

You Can't Eat Government Controls Or Beef Rollback Orders!

By HON. ANDREW F. SCHOEPPEL*
U. S. Senator from Kansas

Calling government control program a hoax and a fraud, perpetrated on the people for vote getting purposes, Sen. Schoeppel accuses Truman Administration of promoting inflation while contending it was combating it by controls. Says price control program has added to consumers' food bill, lowered producers' income, and has proven costly to processors. Points out only way to an abundant meat supply is to insure profitable cattle raising. Promises fight to end OPS.

One hundred seventy-seven years ago, the respresentatives of the original 13 colonies affixed their names to that immortal document—the Declaration of Independence. That historic document not only proclaimed the independence of the 13 colonies, but laid down these fundamental truths—that all men are endowed with certain inalienable rights—that among these are life, liberty, and the pursuit of happiness; and that to secure these rights, governments are instituted, which derive their powers from the consent of the governed.

Sen. A. Schoeppel

On April 2, 1917, President Woodrow Wilson, addressing the Congress of the United States, asked that body to declare that a state of war existed, to the end that the United States might help to "make the world safe for democracy." . . . We went to war to preserve the inheritance that had been passed down to us by the founding fathers—and to make that way of life possible for any other nation that might desire to pattern its course in our footsteps.

From the very inception of our struggle for independence, in the establishment of the fundamental law of the land, the over-riding principle has been to guarantee freedom of opportunity for the individual and to insure that government remain the servant, and not the master of, the people. That was the basic foundation upon which our country was established.

From the very beginning of our national life we have zealously guarded the liberty and freedom that has been our heritage. As early as 1778 the American Continental Congress, recognizing inherent dangers found in a doctrine of price control, declared in a formal resolution that:

"It hath been found by experience that limitations on the prices of commodities are not only ineffective for the purposes proposed, but likewise productive of very evil consequences to the great detriment of the public service and grievous oppression of individuals. . . ."

We grew and prospered under the American system of free enterprise. In 1933, however, because of world conditions and circumstances beyond our control, a depression was visited upon us, and with it was born a new, strange philosophy.

For twenty long years we have watched men in high office deliberately, or through sheer ignorance, create one crisis after another, in order to perpetuate themselves in office and to establish a basis or excuse to foist government control upon the American public.

For many long years we have permitted men to deride and seek to destroy the free enterprise system—the system which our forefathers fought and died for—the system upon which our greatness was built.

For years we have seen many alien concepts foisted upon the American way of life—concepts of socialization and nationalization—philosophies which preach a glorification of weakness, laziness, and dependency—philosophies absolutely contrary to the American way of life.

Time to Eliminate the "Controlled Economy"

It is high time that we begin teaching a little Americanism and a little less "one world-ism." It is high time that positive steps be taken to eliminate this so-called "controlled economy" system and return to the American system which permits men through hard labor, courage, and individual ingenuity to move ahead in life.

It is high time that we return government to the people for whom it was established—and I believe these changes to be on the way.

It is high time that we eradicate from high office in Washington this strange breed of administrators and coordinators who have infested Washington for the past 20 years—remove them and place men in their stead who believe in the philosophy that government is the servant of the people, and not the master. Men who believe in the doctrine of free enterprise.

On April 30, 1953, Public Law 429, which provides the authority for price controls, expires, unless it is renewed by Act of Congress. It is my intention, in the light of existing conditions, to vigorously oppose the renewal of the section of the law concerning price controls—because I believe it to be a hoax and a fraud perpetrated on the American people for vote-getting purposes. I will not be of that number who remain ignorant—in spite of experience—and the evidence is overwhelming—that throughout all human experience price controls throttle private enterprise, destroy personal freedom, and at their best have always been miserable failures.

The whole direct control program of the Administration has been fraudulent since its inception. The Administration has been promoting inflation with all the resources at its disposal, while maintaining the myth that the same inflation was being curbed by controls. When the President overrode the recommendations of the Wage Stabilization Board (which I choose to call the Wage Stimulation Board) in the case of the mine workers, the smoke screen was blown away and the deceit of the entire controls program became clear and apparent.

Every one, except such as have difficulty with thinking, must realize that the price control program has added to the consumers' food bill, has lowered the producers' income, and has been costly to the processors.

I share your interest in the problems of the cattle industry, for my home state of Kansas can properly be called the "livestock state" as well as the "wheat state."

Price Fixing Does Not Produce Meat Animals

I wish I could get across to certain bureaucrats in Washington the simple economic fact that government planning and price fixing do not produce meat animals. Whether through sheer ignorance—or pure design—some of these fellows just can not seem to grasp the fact that there is a whale of a difference between the theoretical side and the practical side of raising beef. They just can't seem to realize that the terms "cattle" and "beef" are not synonymous terms.

As you well know, there are two ways to increase our beef supply—one is to produce more cattle, and the other is to put more weight on the existing beef animals. We all know the "range-to-feeder-to-processor method" is the way most of our beef gets to the consumer. But the wise boys in control of this program in Washington haven't learned this as yet. These so-called specialists seem to believe that if the Department of Agriculture reports an increase in the number of cattle, that of necessity means an increase in beef for the consumer's table.

They can't seem to get through their heads that when government controls are slapped on live cattle and rollbacks are threatened, the trade in feeder animals slows down—live and finished weights slacken off. That feeders with no hope of profit quit business, or cut their programs, and the nation goes back to too many grass-fed beef, or short-weight cattle the net result being the loss of about one-third of the potential beef supply of the country.

These armchair stockmen can't seem to realize that the raising of livestock is a year-round job, and about a three-year job if you want to produce a top-flight animal. That by the time the stockman has combated disease, pestilence, and the weather, it is too much to plague him with governmental restrictions and bureaucratic red tape. They just can't seem to realize that *the only way an abundant supply of meat can be assured is to provide conditions that will insure that the business of raising cattle will be profitable.*

I believe the feeling of cattlemen is pretty well stated by Joe Finley, Jr., of Encinal, Texas, who wrote the following to Congressman Lloyd M. Bentsen:

"When Mr. DiSalle can tell me how to make it rain or how to write a regulation that will hold back the frost, or stop a norther, then I'll begin to believe in regulations. But until he can do these things by regulations, I will know that this business of cattle raising just can't be carried on from Washington by a government agent who never saw a live cow. Let me take my chances with nature, but please save me from the schemes of the do-gooders who sacrifice me and my business in order to develop fine figures and stop beef production."

Yes, today, restrictions are bad enough, but I will long remember the efforts of the controllers and the "rollbackers" in Washington, who attempted to put the entire cattle industry in an economic straitjacket.

But for the alertness of your leaders, the support of the packing industry, and the help of some of us who are concerned with this great industry the situation would have been far worse.

Some of you well remember when the "controller" Mike DiSalle in 1951 ordered a 10 cent rollback in the price of beef. The very next day Mr. Eric Johnston approved a wage increase of from nine to 11 cents to the packing house workers. On this merry-go-round the consumer, the cattleman, and the taxpayer picked up the check.

If we allow the continuance of price controls on the cattle industry, and administered by people who are not informed as to the hazards and risks inherent in the business, we can expect nothing but turmoil.

Controls Mean Decline In Farm Income

You men in the business know that livestock products account for approximately 60% of all farm income. With farm wages, taxes, interest rates, and necessary production items going up in cost—and with the price of livestock

Continued on page 26

*An address by Sen. Schoeppel before the American National Cattlemen's Association, Kansas City, Kan., Jan. 7, 1953.

Dealer-Broker Investment Recommendations & Literature

It is understood that the firms mentioned will be pleased to send interested parties the following literature:

Annual Review and Forecast—Brochure—H. Hentz & Co., 60 Beaver Street, New York 4, N. Y.

Appreciation—List of common stocks primarily for appreciation—Eastman, Dillon & Co., 15 Broad Street, New York 5, N. Y. Also available is a list of **Common Stocks** for investment and a bulletin with brief analyses of **Alleghany Corp., Baltimore & Ohio,** and **Wabash Railroad.**

Fire and Casualty Insurance Stock Review—Bulletin—White & Company, 506 Olive Street, St. Louis 1, Mo.

Foreign External & Internal Securities—Booklet of 1952 year-end prices—New York Hanseatic Corporation, 120 Broadway, New York 5, N. Y. Also available is a tabulation of preliminary **New York Bank Earnings.**

Insurance Stocks—Table of comparative values—Geyer & Co. Incorporated, 63 Wall Street, New York 5, N. Y.

1953 Holidays in the United States, Alaska, Hawaii, Puerto Rico and the **Virgin Islands**—Booklet—Manufacturers Trust Company, Advertising Department, 55 Broad Street, New York 15, N. Y.

Over-the-Counter Index—Folder showing an up-to-date comparison between the listed industrial stocks used in the Dow-Jones Averages and the 35 over-the-counter industrial stocks used in the National Quotation Bureau Averages, **both as to yield and market performance over a 13-year period—National Quotation Bureau, Inc., 46 Front Street, New York 4, New York.**

Plastics—In "Highlights No. 21" a discussion of "An All Plastics World"—Troster, Singer & Co., 74 Trinity Place, New York 6, N. Y.

Preferred Stock Offerings — Compilation of 1952 preferred stock offerings giving month each offering was made and other particulars — Union Securities Corp., 65 Broadway, New York 6, N. Y.

Stocks for 1953—List of stocks favored in the coming year—Stanley Heller & Co., 30 Pine Street, New York 5, N. Y.

What's Ahead?—10 reports a year by Edward R. Dewey **sent** to those contributing $10 a year to the Foundation for the Study of Cycles, 9 East 77th Street, New York 21, N. Y. **(plus** a chart of stock market cycles, projected to **1990—ask for** Chart C).

* * *

American-Marietta Company—Analysis—Hill Richards & Co., 621 South Spring Street, Los Angeles 14, Calif. Also available is an analysis of **Kaiser Steel Corporation.**

American Water Works — Memorandum — Hirsch & Co., 25 Broad Street, New York 4, N. Y. Also available are memoranda on **Erie Railroad, Phillips Petroleum, Public Service Electric & Gas, Stone & Webster, Timken Roller Bearing, Transamerica,** and **Tri-Continental.**

Baltimore Transit Company—Analysis—J. V. Manganaro Co., 50 Broad Street, New York 4, N. Y.

Campbell-Taggart Associated Bakeries, Inc. — Analysis — Sanders & Newsom, Republic Bank Building, Dallas 1, Tex.

Glidden Company — Annual report — The Glidden Company, Cleveland 14, Ohio.

Illinois Central Railroad Company—Analysis—Cruttenden & Co., 209 South La Salle Street, Chicago 4, Ill.

Lehman Corporation—Bulletin on changes in portfolio—Ira Haupt & Co., 111 Broadway, New York 6, N. Y.

Pacific Power & Light Company—Analysis—G. A. Saxton & Co., Inc., 70 Pine Street, New York 5, N. Y. Also available is a list of selected **Public Utility Common Stocks,** as well as monthly tabulation of Public Utility Common Stocks.

Pan American Sulphur—Analysis—Garrett and Company, Incorporated, Fidelity Union Life Building, Dallas 1, Tex.

Piasecki Helicopter Corp.—Memorandum—Smith, Barney & Co., 14 Wall Street, New York 5, N. Y.

Pittston Company—Analysis—Stieglitz & Co., 40 Wall Street, New York 5, N. Y.

Riverside Cement Co. — Analysis and review of the Cement Industry—Lerner & Co., 10 Post Office Square, Boston 9, Mass.

Rohr Aircraft Corporation — Analysis — Walston Hoffman & Goodwin, 35 Wall Street, New York 5, N. Y.

Safety Car Heating & Lighting Company, Inc.—Analysis—B. G. Phillips and Company, 44 Wall Street, New York 5, N. Y.

Shellmar Products Corporation—Special report—Loewi & Co., 225 East Mason Street, Milwaukee 2, Wis.

Standard Power & Light Corporation—Analysis—Sutro Bros. & Co., 120 Broadway, New York 5, N. Y.

Superior Tool & Die Company—Analysis—W. Keyser Manly, 30 Broad Street, New York 4, N. Y.

Ventures Limited—Analysis—L. S. Jackson & Company, Limited, 132 St. James Street, W., Montreal, Que., Canada.

NSTA Notes

SECURITY TRADERS ASSOCIATION OF NEW YORK

Security Traders Association of New York (STANY) Bowling League standing final first half are as follows:

Team—	Points
Donadio (Capt.), Demaye, Whiting, O'Connor, Rappa, Seijas	51
Murphy (Capt.), Manson, D. Montanye, O'Mara, Pollack, Gavin	50
Serlen (Capt.), Gersten, Krumholz, Rogers, Gold, Young	47½
Meyer (Capt.), Kaiser, Swenson, Frankel, Wechsler, Barker	47
Goodman (Capt.), Smith, Valentine, Meyer, Farrell, Brown	43
Hunter (Capt.), Klein, Weissman, Sullivan, Murphy, Seaight	43
Leone (Capt.), Greenberg, Tisch, Werkmeister, Leinhard, Corby	41
Mewing (Capt.), Bradley, Weseman, Hunt, Gronick, Huff	37
Burian (Capt.), G. Montanye, Voccoli, Siegel, Reid	37
Growney (Capt.), Craig, Fredericks, Bies, McGovern	28½
Bean (Capt.), Frankel, Strauss, Nieman, Bass, Krassowich	28
Krisam (Capt.), Ghegan, Jacobs, Gannon, Cohen	27

200 Point Club
W. Krisam ....228 & 222

5 Point Club
Hoy Meyer

This ends the first half of the season. It is now hoped the second half will be as interesting as the one just completed.

BOSTON SECURITIES TRADERS ASSOCIATION

The Boston Securities Traders Association will hold their 29th annual Winter Dinner at the Sheraton Plaza Hotel on Wednesday, February 11 at 6 p.m.

John J. D'Arcy, of F. L. Putnam & Company, Inc., is Chairman of the committee which includes: Robert R. Blair, Harris, Upham & Co.; William J. Burke, Jr., May & Gannon, Inc., President of the Association; Leon E. Day, Jr., Chas. A. Day & Co., Inc.; Alan C. Leland, Geyer & Co., Incorporated; Warren A. Lewis, Weeden & Co.; John McCue, May & Gannon, Inc.; J. Russell Potter, Arthur W. Wood Company.

James F. McCormick of A. C. Allyn & Co. is in charge of ticket reservations, and James E. Moynihan of J. B. Maguire & Co., Inc., is in charge of room reservations.

J. Fred Underwood of Boenning & Co., is handling out-of-town reservations for Philadelphia; Richard M. Barnes of A. M. Kidder & Co., reservations for New York, and Leslie B. Swan of Charles W. Scranton & Co., reservations for Hartford and New Haven.

Three Senior Vice-Pres. Elected by Eberstadt

Ferdinand Eberstadt, President of F. Eberstadt & Co. Inc., 39 Broadway, New York City, has announced that Edward B. Conway, Miller H. Pontius and Auguste Richard have been elected Senior Vice-Presidents of the investment banking firm. All have


Edward B. Conway


Miller H. Pontius


Auguste Richard

been Vice-Presidents and are directors of the company. Mr. Conway entered the firm in 1935, Mr. Pontius in 1938 and Mr. Richard in 1944.

Mr. Conway heads the new business department which, apart from sales functions, handles the underwriting, private placement, financial consulting and similar activities of the firm. He was formerly associated with the Boston law firm of Ropes, Gray, Best, Coolidge & Rugg and later was a member of the legal staff of the Securities and Exchange Commission. He is a director of Chemical Fund, Inc., Hastings Manufacturing Company and National Starch Products, Inc. He resides in Greenwich, Connecticut.

Mr. Pontius has been in general charge of all sales operations of the firm for many years. He was formerly associated with the National City Bank of New York and the Home Insurance Co. traveling abroad in their foreign service. He also served for a time as a Vice-President in charge of sales for G. L. Ohrstrom & Co. His residence is in Bronxville, New York.

Mr. Richard was Chairman of the Army and Navy Munitions Board during World War II. Previously he had been a partner in the dry goods commission house of Lawrence & Co., Treasurer of Ipswich Mills, President of The Spool Cotton Company and Vice-President of Pacific Mills. He is a director of Rio Blanco Copper Company and Treasurer and director of Manhattan Eye, Ear and Throat Hospital. His home is in Hewlett, New York.

Gallagher to Address Munic. Bond Women

Guest speaker at the third meeting of the Educational Program of The Municipal Bondwomen's Club of New York on Jan. 15 will be Francis P. Gallagher, of Kidder, Peabody & Co., who will discuss "Municipal Bonds Built America."


Frank P. Gallagher

The meeting will be held at the 30 Broad Street office of the Chemical Bank & Trust Company, 10th floor, at 5:30 p.m.

Chas. A. Peine With Goodbody & Co.

Goodbody & Co., 115 Broadway, New York City, members of leading stock and commodity exchanges, announce that Charles A. Peine has become associated with the firm as Manager of the Municipal Bond department. Mr. Peine was formerly with the firm of Tucker, Anthony & Co.


Charles A. Peine

Detroit Bond Club Annual Dinner

DETROIT, Mich. — Ernest B. Kelly, Halsey, Stuart & Co., President, Bond Club of Detroit, announces that the 37th Annual Dinner will he held at the Sheraton Cadillac, Jan. 22.

The speaker will be Charles J. O'Connor, President of Reichhold Chemical, Inc. Mr. O'Connor is an avid world traveler and photographer, and his hobby is the education of the American businessman in the modes of living of peoples in the far flung corners of the earth. His address "World Peace Through Knowledge" is an expression of his sincere belief that world peace can be achieved through education and recognition of our neighbors' desires and problems.

Fred Schwarzkopf Now With White, Weld Co.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Fred Schwarzkopf has become associated with White, Weld & Co., 231 South La Salle Street. Mr. Schwarzkopf was formerly a partner of F. S. Moseley & Co., with which he had been associated for many years.

With Link, Gorman Co.

(Special to THE FINANCIAL CHRONICLE)

MILWAUKEE, Wis. — Norbert S. Derridinger has become affiliated with Link, Gorman, Peck & Co., 611 North Broadway. Mr. Derridinger was formerly with Gillespie & Wouters of Green Bay.

Harley, Haydon Adds

(Special to THE FINANCIAL CHRONICLE)

MADISON, Wis. — Maynard C. Larson has become connected with Harley, Haydon & Co., Inc., First National Bank Building.

Canada in 1952 and After

By JAMES MUIR*
President, Royal Bank of Canada

Executive of largest Canadian bank reviews developments in Canada and ascribes recovery from business decline late in 1951, to resort to easier credit. Questions soundness of prosperity, if based largely on "shifting sands of consumer credit." Discusses "apparent" dollar shortage, and in considering international investment, points out situation can be remedied not by creating high-sounding international institutions, but rather by nations eliminating obstacles to investment. Warns against "overselling Canada" and careless alienation of her resources.

I

A Review of 1952

As we begin 1953 we Canadians should, I think, not only take stock of our many present problems, but should consider also the ways in which Providence, good fortune, and our own best efforts have combined to save us from many economic dangers during 1952.

James Muir

Last year at this time, I referred to the possible "third wave of inflationary pressure" which might come upon us as armament spending continued to increase. My hope a year ago was that "by accident or design, the full force of this third inflationary wave created by armament spending might be deflected or reduced."

As events unfolded over the year, it became apparent that the third wave might be largely avoided after all. The rate of armament expenditure, which, as I observed last year, was far below the estimated rate during 1951, rose during 1952 but not sufficiently to give much hope that the March, 1952, budget estimate of $2.1 billion would be fulfilled. This meant a further postponement of the peak rate of armament expenditure in our present defence "build-up," and a consequent reduction, below the estimated rate of expenditure, during the intervening period, with the result that inflationary pressure at any given time was correspondingly reduced.

Actually, the lull after the inventory inflation of early 1951 became sufficiently oppressive to business and government to inspire some measures for relief. Three corrective devices were available: tax reductions, price reductions, or easier credit terms.

The effect of the budget for 1952-53 was to impose a heavier over-all burden of taxation than that imposed in 1951-52. Nevertheless this was a lighter burden than would have resulted if the income tax rates, made effective on July 1, 1951, had not been somewhat modified. The device of income tax cuts was used, therefore, only in the negative sense that the government forbore to impose even greater burdens. However, the cut in some excise taxes and the elimination of others made lower prices possible on certain lines of consumer durable goods.

The heavy inventory position of many firms put severe pressure on existing prices; and in certain lines this pressure became especially effective owing to the abolition of resale price maintenance by an amendment to the Combines Act in late 1951. Prices were reduced to some extent, and there were concealed reductions in the form of liberal trade-in allowances and other special deals. Nevertheless, price reductions played a relatively small part in the revival of trade that took place towards the half-way mark of 1952.

It was the third device, that of easier credit terms, which was apparently chosen by business and government as the means to restore a stronger current of business activity. Consumer credit controls were abolished on May 6, 1952, and the voluntary restrictions on bank lending were removed, at the suggestion of the Bank of Canada, on May 20, 1952. We are experiencing the buoyant effects of these decisions. Indeed, there is some evidence that the decline in activity has been over-corrected, and that inflation has again become a threat to the economy.

Those who have profited from the present boom, and those for whom confidence has replaced uncertainty regarding 1953, will scarcely be inclined to cast a critical eye on the apparent means to their present happy state. Nevertheless, I believe it is essential that we consider very carefully whether or not our present prosperity is soundly based.

So-called "easy" consumer credit can be most costly both to the consumer and to the economy as a whole. The effect on sales is immediate and gratifying to business; but repayment of the debt by the public in the future may well result in an enforced reduction in consumer spending on durable goods to a level quite as low and depressing as that which followed our pre-budget buying spree of 1951. If this reduction were to occur along with other deflationary factors, such as heavy inventories and a reduction or a levelling off in armament expenditure, our present boom might seem, in retrospect, an unsound and temporary one. Indeed, the economic pattern today bears no little similarity to that of 1928 and 1929. Then, as in 1952, the expansion of consumer instalment credit played an important part in increasing sales and maintaining retail prices at a time when raw material prices were on a steady decline. The result then, as in 1952, could only be a concealed inflation, with its attendant dangers.

I believe that a sounder prosperity in 1952 would have resulted from greater use of the two other corrective devices, namely tax and price reductions. These interact with and reinforce one another in promoting a healthy expansion; in other words, the expansion they promote will not be based on the shifting sands of consumer credit.

There is hope now that these sounder devices for maintaining prosperity will be used more extensively in the future; and it is this hope that lends the greatest support to the high expectations which many businessmen now seem to have for 1953.

II

Canada's Stake in World Economy

We must always remember that, in Canada, any statement of our hopes and fears concerning the immediate future must be set against the tremendous expansive powers of this young and growing economy. In such an economy there are many "built-in expanders" that are bound to make any contraction of economic activity short-lived and largely self-corrective. It is to these long-run factors and the problems and possibilities to which they give rise that I wish to give most attention.

I do not propose to repeat here the story of Canada's economic growth. That story should now be familiar to every Canadian. I should like instead to concentrate on two matters of economic fact which are directly related to Canada's economic growth and to her present position in the world. They are: first, Canada's economic future depends in part on the health of the world economy; and second, Canada has a responsibility for the health of the world economy that corresponds to her increased economic and political importance in the world.

The first of these statements is familiar enough and few are likely to question it. The second statement is less often encountered, but it is already evident in much that is best in our economic foreign policy. Self-interest and high moral purpose, then, lead in our case to a common goal: the rehabilitation of the world economy.

III

Meeting the Dollar Shortage—(1) Decreasing the Demand for Dollars

Unfortunately, the world's economic ills are more easily diagnosed than cured. The most spectacular symptom is of course the so-called shortage of dollars which still persists seven years after the end of the Second World War.

In international trade, goods must be paid for either in the exporter's currency or in funds that are freely convertible into that currency. The world chooses to buy goods and services from the United States and Canada at such a rate that, even with the multitude of restrictions imposed by the importing countries, dollar payments for imports exceed dollar earnings from exports by more than $5 billion per year. In the language of inflation, we have not merely too much money chasing too few goods, but too much sterling and other soft currency chasing too few dollars. This suggests that one way to attack the dollar shortage is by decreasing the demand for dollars through a decrease in the supply of other currencies.

During the heyday of the international gold standard, this type of monetary deflation was automatic in deficit countries as gold flowed out; at the same time there was automatic monetary inflation in the surplus countries to which the gold went. The resulting shift in price and income levels restored equilibrium. Today, in the absence of an international gold standard, this process cannot be automatic; and its effectiveness is greatly reduced by the inflexibility of modern wage and price structures. Nevertheless, in Great Britain, fiscal policy and monetary policy have been directed towards this end with some success, and it seems likely that the resources of monetary policy will be tapped still further to reduce the supply of sterling and hence the demand for dollars.

It is doubtful, however, whether we can maintain stable exchange rates today merely by simulating through monetary policy the automatic mechanism of the the gold standard. Under the gold standard, stable exchange rates were possible only because prices and incomes were flexible. Today, with prices and income sustained by national full-employment policies, the burden of providing flexibility falls increasingly upon the exchange rate. In other words, if we want to avoid exchange control and yet keep our internal prices and incomes stable, we have to allow the exchange rate to fluctuate.

The Articles of Agreement of the International Monetary Fund, in limiting exchange rate movements to 1% above or below par, virtually legislated exchange control into existence as a permanent policy throughout most of the world. Today the only members of the Fund without exchange control are: the United States, who never had it in the first place; and Canada, whose government abandoned this part of the Fund Agreement in September, 1950, when the Canadian dollar was set free to find its own level in the world market.

Exchange control can check the loss of dollar reserves for a time, but it does nothing to combat, indeed it may intensify, the underlying unbalance that causes the dollar drain. In contrast, a free rate moves automatically to restore balance in the international accounts.

I am no recent convert to the view that free exchange rates are today prerequisite to international monetary equilibrium. I have consistently urged this policy since January, 1950, when I made my

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*An address by Mr. Muir delivered at the 84th Annual Meeting of the shareholders of the Royal Bank of Canada, Montreal, Canada, Jan. 8, 1953.

Fight Marxism by Giving Employees Stake in Profits!

By THOMAS D'ARCY BROPHY*
Chairman, Kenyon & Eckhardt, Inc.
President, American Heritage Foundation

After revealing work of the Advertising Council, under sponsorship of the American Heritage Foundation, in combating activities of subversive forces, prominent advertising executive urges best way to resist Marxism is by encouraging wider employee ownership of business and increasing the scope of profit-sharing. Says we should have more rather than less capitalism and more extensive private ownership of income producing property.

About six years ago many in this room were among those called to Washington for a conference with the Attorney General to consider ways and means of combating a rising tide of lawlessness and cynicism—twin spectres following in the wake of war.

T. D'Arcy Brophy

At this meeting we were told about the activities of subversive forces in various guises, seeking to undermine our democratic structure. We were informed about the activities of demagogues and bigots carrying on their disruptive game of setting one group of Americans against another. The alarming increase in juvenile delinquency was emphasized, and we were told that a comprehensive program of education in the ideals and practices of American democracy was sorely needed.

The need was for a greater awareness and a keener appreciation of the advantages we have in this country—emphasizing the relationship of our hard-won liberties to our development as the greatest nation of free people in the world's history.

And further, to persuade all Americans that only by active personal participation in the affairs of our nation, can we safeguard our freedoms; preserve the liberties from which all these advantages flow; and continue to demonstrate to the world—and ourselves—that the way of free men is best.

Accepting the challenge, the forces of advertising, mobilized through the Advertising Council, and under the sponsorship of the American Heritage Foundation, undertook a national program of rededication to our ideals and institutions, utilizing all media of communication, education and community action, to emphasize and dramatize the common heritage of every American—our way of life based on individual freedom and individual responsibility. To point out that today—just as a hundred and seventy-five years ago—the price of liberty continues to be the eternal vigilance of those who enjoy it—and that a working republic requires active participation by its citizens.

Accomplishments to Date

I shall not dwell at length on the several programs of the past six years. The Freedom Train and its 17 months tour of all the States; the campaign to restore the original patriotic significane of our nationally observed holidays; the commemoration of the 175th anniversary of the Signing of the Declaration of Independence; and the "Register and Vote" campaigns of 1950 and 1952. All have contributed, I believe, to a greater appreciation of our American Heritage and a more general acceptance of the responsibilities of citizenship—a greater recognition of the fundamental fact that the maintenance of Freedom is **everybody's** job!

The forces of Advertising and community action which have helped bring this about may well take pride in what has been accomplished, but in a world of **rapidly changing values**, we cannot rest on our pride. We must recognize that what has been done is just a start. That our country still is in great trouble, faced by an implacable and powerful enemy whose propaganda knows no truth and whose promises are as impossible as their performance. And what I would like to suggest tonight is that the same methods and the same media which have been used to help more Americans to participate in our **political** freedoms be used to help more millions of us to participate in the fruits of our **economic** system. That is a big order. But let us begin with the need for it.

Fight Must Continue

We must recognize that the fires of totalitarian revolution being kindled by this enemy threaten to sweep over our Western civilization. The frightening fact is that one-fourth of the world's land area and one-third of the world's population is now under the domination of a godless system of government which has as its fanatical aim the destruction of all we hold dear.

Its theory is that Free Enterprise or Capitalism is an evil and dying system and must inevitably be succeeded by an economy in which the means of production will be owned in common and operated by the State.

This sytem is Marxism. Its extreme form is Communism. A milder form is Socialism. Both are convinced that Capitalism is dying. One holds to this philosophy so fanatically that it uses lies, murder and torture to achieve its end. The other attempts to use persuasion to bring about the new order. Both radical Communism and the more moderate Socialism hold that Capitalism is suffering from old age and decay.

Let's take a good look at this allegation and see if there is any substance to it.

What these critics and theorists fail to see is that Capitalism, as practiced in America, is a forward-moving and dynamic system. Our Marxist friends should lift their eyes from the pages of a 19th Century book and observe Capitalism as it exists in the United States today. Instead of being a frozen system operating for the profit of a few, it has already expanded in our country until it now operates for the profit of millions.

As Frederick Lewis Allen points out in his book, "The Big Change," "we customarily say that our economic system is Capitalistic; yet this word connoted half a century ago, and connotes today in Europe, a way of doing business quite different from the current American way."

How many stockholders in America do you think we had 50 years ago? Probably less than a million; today, there are over 8½ million share owners in publicly and privately owned corporations.

More Capitalism Needed

But does this make us satisfied? Far from it. Things are still not what we want them to be. Even in the United States, we are plagued with work stoppages and strikes. There appears to be no end to industrial conflicts. We still have groups setting themselves against other groups. We still have people playing the old, worn record that says, "We are the exploited. You are the exploiters."

Now the cure for this may well be not **less** Capitalism but **more**. The cure may be to nourish this dynamic conception until just as many Americans as possible are its direct beneficiaries.

Edward J. Meeman, distinguished editor of the Memphis "Press-Scimitar," thinks so. In a recent article he was critical of Capitalism because it did not go far enough. "What is wrong with it is that there are too few capitalists," said Mr. Meeman, "too few people own property. What is needed is to make the possession of private property as universal as possible; to make all men—or nearly all men — the owners of property. Only when an individual has a reserve of private property, securely held under democratic law, can he be fully free to obtain his education where he chooses—or quit it; to move about; to be free of political and social pressure. If personal freedom is to be firmly rooted," Mr. Meeman said, "it must be in the soil of the property system. More Capitalists means fewer Socialists."

Recently the "Daily News" said editorially: ". . . with the election of Dwight D. Eisenhower, American history rounded a major curve. It was a curve away from Statism, Socialism, Totalitarianism and toward a modified and modernized version of the Free Enterprise System. Will the majority of our business and industrial leaders understand the true direction of this course and adjust themselves and their thinking to it?"

Can it be that Free Enterprise has not satisfied Americans, not because it is a wrong or defective theory and system, but because it is suffering from **arrested development?**

Profit-Sharing as a Weapon

Could it be that this is a serious defect in our system? Could it be that more extensive private ownership of income-producing property and wider participation in the profits of enterprise is necessary to carry out the logic of Capitalism, to further its growth, to bring it to maturity, to make it work as it is capable of working — smoothly and certainly? Could it be that more extensive profit-sharing is necessary to end the class conflict that curses our age? Could it be that there would be more enthusiastic advocates of free enterprise if there were more participants in the responsibility of ownership, just as the proven way to be a good citizen is to participate in the duties of citizenship?

Now I know that this may sound rather Utopian. But since when have large ideas discouraged Americans? And let us agree that any amount of progress along this road will be helpful.

Fortunately, the encouragement of employee-ownership has taken strong root. One-fifth of all Sears Roebuck stock is owned by the Employees Fund. This was brought about by setting aside a certain portion of the stock of the company as profit-sharing for the benefit of employees.

Another means is to facilitate the sale of stock to individual employees. This is now being done by the American Telephone and Telegraph Company. There are more than 300 companies members of the Council of Profit Sharing Industries, but innumerable others are working to this end.

A Case in Point

In Scarsdale where I live, we have E. Robison, Inc., Household Equipment, Hardware and Auto Supplies. In 1951, when the 30th Anniversary of the company was celebrated, an employee stock purchase plan was announced. **Today 82 employees own all the stock of the corporation. In 1953, 13 more employees will become eligible to purchase stock, making a probable total of 95 employees who will own the business.** The other 61 regular employees will become eligible to purchase stock as they complete six years of service. With this month's bills to its customers, the company proudly proclaims, "Robison's employees now **own** the company and **share** in the profits."

I have heard the objection to profit-sharing that "wages are so high **now** workers are sharing profits—in fact, they get most of them." Perhaps so. Sometimes wages are too high for the health of a business. It would be better if some of the return of labor were in the form of fluctuating profits. No matter how high wages get, so long as wages are the **only** return of labor, there is conflict between owner and workers and our society does not achieve unity!

Marxist attempts to abolish the property system, in an effort to achieve a classless society, have in fact resulted in the sharpest class division in history — the proletarian state, in which all property is held by the ruling group (a very small group indeed) with propertyless slaves chained to a job! Perhaps the true way to a classless society in the democratic tradition is to make all workers property-owners and all property-owners workers! Or to approach such an ideal as rapidly as we can.

"Pride of Ownership"

The American dream of political and economic freedom for the individual is inherent in our American concept of the Capitalistic or Free Enterprise System—and only in that system.

We have come a long way in this country in developing individual freedom and individual responsibility. But it can be that, in our great industrial development, where pride of individual craftsmanship has been lost, we have not substituted pride of ownership to the extent we can. Perhaps, never before has there been so great an opportunity to do so. Now it is possible to extend the economic benefits of the enterprise system to many people by the simple expedient of making it possible for most employees to share in the profits and losses of enterprise and in the pleasures and heartaches of ownership.

It seems to me that the widest possible individual ownership of income-producing property would provide the justice that furnishes the foundation for a democratic

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*An address by Mr. Brophy at the Annual Advertising Awards Dinner, sponsored by "Printers Ink," New York City, Jan. 9, 1953.

Banking and the Security Markets

By A. HALSEY COOK*

Vice-President, The National City Bank of New York

Mr. Cook explains the procedures, mechanics and techniques of commercial bank lending to security brokers and dealers. Points out, because of Federal Reserve regulations and margin requirements the call loan market has become a ghost. Discusses banks' stock-margin requirements from borrowers and explains differences between Call Loans, Day Loans, loans to dealers, as contrasted with loans to brokers, Syndicate Loans, and the factors determining the interest rates on these different classes of loans.

The topic assigned to me is, "Banking and the Securities Markets." On banking alone, one could write books, so I shall confine my remarks this morning to the banking of the securities industry. I notice by the brochure which has been sent to me that you have been around the Street and therefore are familiar with the difference between a broker and a dealer. Perhaps it is an over-simplification to say that the banking of the securities industry divides itself very nicely into loans to brokers and loans to dealers. Essentially the difference is that a broker's loan is a loan secured by stocks and bonds belonging to the broker's customer to enable the broker to finance margin accounts. A dealer loan, on the other hand, is a loan to a dealer on the dealer's own securities.

No Longer a Real Call Money Market

Now let me lay a ghost. There is no longer a real call money market in New York City although you will find the term in your textbooks. In years past, call money was used as a medium for adjusting bank reserves and as a secondary reserve of commercial banks. Frankly, the market just doesn't exist anymore, and I do not think we need to go deeply into the reasons for it other than to say that with the increase of margin requirements and the virtual disappearance of the margin speculator, the volume of margin accounts has been reduced substantially. Brokers' loans in 1929 ran to some $9 billion. For the past 20 years they have rarely crossed the $1 billion mark. At the present time the brokers' loans in the Street constitute a relatively small percentage of the banks' total loans and provide a comparatively small outlet for loans to the banks' own customers. Perhaps the most significant indication of the disappearance of the call money market in New York City was the discontinuance of the Call Money Desk on the New York Stock Exchange some six or seven years ago.

Brokers are governed by Regulation "T" of the Board of Governors of the Federal Reserve System, and banks are governed by a similar Regulation "U," restricting their lending in substantially similar respects. However, if a broker lodges a statement with his bank that the securities he is putting up as collateral belong not to him but to his customers, and further, that his firm abides by the provisions of Regulation "T," his bank, generally speaking, is then exempted from the provisions of Regulation "U" in lending him.

The reason that a broker finds it necessary to borrow money from his bank is that he has lent his customers money to buy securities. He receives from his customers permission to rehypothecate those securities, and in due course pledges them to a bank for a loan in substantially the same amount that he has loaned to his customers.

*A lecture by Mr. Cook in a course covering "The Economics of the Securities Industry" sponsored by the Investment Association of New York and the New York University Graduate School of Business Administration.

Contrary to the custom of the old call money market, banks generally require that brokers be customers of theirs and maintain checking accounts with them. Secondly, they require as collateral against these loans a diversified list of securities; it is not customary to pledge large single blocks of securities. Thirdly, banks require a margin of about 33% at the making of the loan although minimum margin requirements are about 25%. If we start out at 33% it gives a little room for the market to drop before a call for additional margin becomes necessary.

Stock Margin Requirements

Right here I want to say something about margin. To any loan clerk, margin is the value of the securities in excess of the amount of the loan. Now this may not be what Mr. Webster may say it is, or what Federal Reserve Banks mean in their regulations, but it is a loan clerk's working conception. In other words, if we make a loan of $100,000, the broker pledges $133,000 in securities and is required to maintain the value of the securities pledged against this loan at $125,000 or better. The broker has no trouble in doing that because his initial requirements to his customers have been well in excess of the banks' requirements for many years.

Brokers' loans are demand loans; that is, a bank can demand payment or a broker may pay off the loan substantially, on no notice at all. I suppose that in the last 15 years some downtown banks have called a broker's loan just to make sure that the machinery for calling a loan still exists, but for most banks it is pretty hard to remember when last they called a loan.

Brokers' loans are made under what is called a Continuing Loan Agreement by which successive loans may be made, not by signing a note, but by offering an envelope containing the securities listed on the outside, and signed by an authorized person in the brokerage firm. Under this agreement the broker has the right to substitute collateral freely, subject to the bank's approval. These loan agreements are all inclusive, and provide the bank with a lien on the collateral posted or pledged against that particular loan, or any other loan which the broker may have with the bank. For some particular loan there may be other loan agreements where it is necessary to cover a special situation, but with every broker, banks are also required to have an agreement that he will not commingle his own securities with those of his customers, and we in turn agree with him that we will not exert any cross lien on securities of his customers to protect a deficit that may exist in a loan secured by the broker's own securities.

It is generally taken for granted that most brokers' loans are secured by listed securities; true brokers' loans against unlisted securities generally do not arise these days because brokers in turn do not lend against them in the regular course of their business.

Day Loans

I was about to tell you that all loans to brokers are secured, but there is one form of loan generally used throughout the Street that isn't. This is the Day Loan. A Day Loan is a loan that is made on an unsecured basis to a broker early in the morning, which will be repaid before 3 o'clock that afternoon. It is secured only by a lien or chattel mortgage on the securities which the broker picks up with the proceeds of the money you have loaned him, and specifically can be used for only two things: (1) to pay for securities for which he has already contracted, and (2) to pay for loans which are secured by stocks and bonds.

Supposing you have just sold your last year's Cadillac for $2,000 and you have bought a new Ford for $2,000. You meet a friend on the way to the Ford agency, which is the first one that you come to. You can't get your Ford until you have received the money for your Cadillac, so you say to him: "Will you lend me $2,000 to pick up the Ford and then we'll drive to the dealer where I'll get a check for the Cadillac and endorse it over to you." If he knows you well enough, he will do it, and that in essence is what a Day Loan is. The interesting thing about a Day Loan is that the charge for it is only 1% per annum. It was 1% back in the 1920's when call money sometimes went to 20%, and it was 1% when banks in New York were lending money in the 30's at less than 1%. Practically speaking, it is a fee paid for a credit in lieu of what used to be called overcertification, rather than an interest charge.

The Dealer Loan

Let us turn now to the dealer loan, and I want to repeat that a dealer loan is made on collateral which belongs to the dealer. Its principal purposes are two-fold: (1) to finance the distribution of securities, and (2) to carry an inventory or investment portfolio. The greater part of the loans to brokers and dealers that you see in the Federal Reserve statements every Thursday are loans to dealers. The reason that I say this is that dealers are daily clearing large amounts of securities and financing distribution of securities either through the original or secondary market. In volume, dealer requirements far outweigh the demand for credit of brokers. I don't think any of us has ever figured it out, but my guess would be that of the billion dollars more or less that are borrowed in New York City by brokers and dealers on other than Treasury securities, the ratio is about 40 to 60—about $400 million in brokers' loans, perhaps, and $600 million in dealers' loans.

A dealer loan is not a call loan, because implicit in the making of such a loan today is seeing the deal through. The collateral in a dealer loan instead of being diversified may very well be concentrated. It may all be one issue; it may be a series of issues, blocks of bonds or blocks of stocks; it may even be a series of loans. The collateral may be industrial bonds or debentures, municipals, utilities or rails; or it may be stocks, preferred or common. Credit requirements for lending to a dealer are the same as the credit requirements of any borrower. The old formula is the three C's—capital, character, and capacity. There are C's that apply to a dealer.

We generally have at least the annual financial statement of a dealer and frequently we have his profit and loss figures. We look at his capital, and in effect think of it as the margin on his inventory or the portfolio that he may be carrying or may be clearing.

We know, or we should know, his reputation for business dealings and his experience in the Street, which, for our purposes, is character.

The capacity to repay in terms of the dealer loan is the dealer's distributive ability. A house with excellent distribution, thoroughly experienced, with a good reputation, can do a great deal of business on a lesser amount of capital and obtain readily the financing to do so.

Now, the margins that are required on dealer loans vary, and again I'm going to be a loan clerk. You start with the 25% margin that's required on the regular Street loans. Actually, we start with 33%, going down to 25%, which is to be maintained. If the securities which the dealer has in his loan are sold, and he requires financing to package them and deliver them to the buyers, we do not require too much in the way of margin. We may ask just 5% margin. When we know the securities are sold, we have lent the purchase price, meaning no margin at all. These margins of course are applicable on high-grade securities in the process of distribution, top credit municipals or short-term securities that are soon to be paid. The margin varies therefore between substantially zero on sold securities, to 25% or so on the general run of quality securities. Lending on other securities that have little market or that are not particularly well known may require a 50% margin, or more. In other words, you would lend the dealer only 66% of the market value or of the price he paid, his capital representing the balance of the purchase.

Lending Rates on Securities

Now as to rates. Historically, call money rates are governed by the New York money market and the day-to-day money position of the New York banks. When banks lend money to commercial concerns the money is tied up for 90 days to 6 months. On the other hand, brokers' and dealers' loans are demand loans, and payment may be required at any time; therefore, in the past 20 years a rate somewhat under the prime commercial rate has ruled. Right now, the so-called call money rate

Continued on page 22

Connecticut Brevities

On Jan. 5 an underwriting group offered a block of 100,000 shares of common stock of **The Ansonia Wire & Cable Company** at $16 a share. The offering, which was oversubscribed, raised a total of $1,600,000. This amount, together with a bank loan of $550,000, was used in connection with the purchase of the assets and business of The Ansonia Electrical Division and its establishment as an independent operating company under the new name. The company produces plastic insulated and jacketed wires and cables, to a large degree custom designed and custom built.

* * *

The Bridgeport Gas Light Company has received approval from the Connecticut Public Utilities Commission of its application to borrow $120,000 and to extend the due date on the $1,100,000 loan obtained in 1951. The new loan bears an interest rate of 3½% and the extended loan of 3½%. The loans are due June 30, 1953. Proceeds of the loans are being used in connection with the arrival of natural gas to defray the cost of converting the plant and the customers' appliances.

* * *

Ambrook Industries, Inc. is the new name which was adopted by the stockholders of **Aspinook Corporation** at a meeting Dec. 12, 1952. At the same time it was voted to split each share of stock four for one through a reduction in the par value from $1 to 25 cents a share. In 1952 Ambrook sold its plants at Jewett City, Connecticut, and Adams, Massachusetts, to a new corporation which will use the name Aspinook.

* * *

A special meeting of the stockholders of **Cheney Brothers** has been called for Jan. 23 to vote on a proposed seven-for-one common stock split. There were 44,566 shares outstanding at the end of 1951. Since that time a trust created by two members of the Cheney family has donated 10,462 shares to the company and a few additional shares have been acquired. These reacquired shares will be retired and the number of shares outstanding after the split will be 238,728. The President stated that earnings for 1952 would exceed the $6 dividend payment, all from the wholly-owned subsidiary, Pioneer Parachute Company.

* * *

The Connecticut Light & Power Company has obtained permission from the Federal Power Commission to create a lake of 1,870 acres in Newton, Brookfield, New Milford, Southbury, Bridgewater and Roxbury. Water from the lake will supply power to a projected 37,250 kilowatt generating station.

* * *

The Connecticut Power Company has obtained permission from the Public Utilities Commission of Connecticut to borrow $700,000 from The Travelers Insurance Company on a 10-year serial note with interest at the rate of 3⅝%. The proceeds are to be used to reimburse the company for expenses already incurred in connection with the conversion of customers' appliances to the use of natural gas and to finance other conversion costs.

* * *

The stockholders of **The Hartford-Connecticut Trust Company** will vote at the annual meeting on Jan. 22, 1953 on a proposal to offer the present holders rights to buy one new share at $50 for each eight shares owned. The present 176,000 shares would thereby be increased to 198,000 shares.

* * *

In a letter to stockholders, **Emhart Manufacturing Company** announced purchase of Sundsvalls Machine Company, Sweden. The acquisition will provide a European source to manufacture glass container machinery and parts. The purchase cost, about $480,000, is partially payable over a five-year period. Sundsvall will also continue to produce its present lines, including hydraulic press pumps and custom-built hydraulic presses.

Hulme, Applegate & Humphrey Formed

PITTSBURGH, Pa. — Hulme, Applegate & Humphrey, Inc. has been formed with offices in the Union Trust Building to act as underwriters, participating distributors and dealers in municipal and general market securities and mutual fund shares. Officers are Milton G. Hulme, President; A. Lowrie Applegate and Arthur F. Humphrey, Jr., Vice-Presidents; Paul A. Day, Secretary and Treasurer, and I. C. Wharton, Assistant Secretary.


Milton G. Hulme


Lawrie Applegate

Mr. Applegate and Mr. Humphrey were previously partners in Geo. G. Applegate & Co. Mr. Hulme is also President of Glover & MacGregor, Inc. of which the new firm is an affiliate.

Joins Carroll, Kirchner

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — Patrick T. Thompson has joined the staff of Carroll, Kirchner & Jaquith, Inc., Patterson Building. Mr. Thompson was previously with Peters, Writer & Christensen, Inc. and prior thereto was with Revel Miller & Co. in Los Angeles.

With Louis McClure

(Special to THE FINANCIAL CHRONICLE)

TAMPA, Fla.—Homer M. Truitt has been added to the staff of Louis C. McClure & Company, 615 Madison Street.

Inflation Control Still Main Problem

Henry C. Alexander, President of J. P. Morgan & Co. Inc., tells stockholders no miracles should be expected in controlling inflation or avoiding deflation. Says public must understand futility of ceaseless rounds of price and wage increases.

In his annual letter to stockholders, issued on Jan. 14, Henry C. Alexander, President of J. P. Morgan & Co., Incorporated, in reporting on the operations during the past year of this widely known banking institution, urged that efforts be directed toward preserving and consolidating the tentative gains made in the direction of a greater degree of balance in the national economy, since no miracles can be expected either in controlling inflation or avoiding deflation.


Henry C. Alexander

According to Mr. Alexander:

"Inflationary forces that have been at work for more than a decade continued to influence the national economy during 1952. Nearly all the major indices of business activity were running above or close to peak levels for peacetime. This was true of the gross national product, for example, as well as of consumer income and spending. There were, however, some evidences in the direction of greater economic stability. Productive capacity continued to increase and shortages became less acute. While consumer prices remained fairly constant at high levels, commodity prices at wholesale generally drifted slowly downward.

"In the sphere of money and credit, no striking developments took place, although public and private debt continued to rise. The Federal Government did some deficit financing during the year but carried out no funding of the existing short-term debt. The Federal Reserve continued to pursue the middle-of-the-road policy it adopted early in 1951. Conditions on the money market were often tight; short-term interest rates fluctuated and tended upward.

"The tentative gains during 1952 in the direction of a greater degree of balance in the national economy must be preserved and consolidated. But the problems of controlling inflation, yet avoiding deflation, are complex. No miracles should be expected. Perhaps the most that can be hoped is that the task will henceforth be approached with greater realism than for many years past. The general public must fully understand the futility of ceaseless rounds of wage and price increases, and the common interest in an expanding yet stable economy. For leadership in this, the country looks hopefully to the new Administration in Washington.

"As was natural at a time of active business at high prices, heavy demands for credit were made upon the banks of the country by their clients in 1952. The banks met these demands for the most part at much the same rates of interest as prevailed at the opening of the year. In many cases, banks were obliged to obtain the necessary funds by borrowing from the Federal Reserve more frequently and heavily than ever before."

Operating Results

A condensed statement of the financial condition of J. P. Morgan & Co., Inc. as of Dec. 31, 1952, with comparative figures for the end of 1951, shows deposits at the end of 1952 stood at $671,241,398, compared with $622,159,042 at the close of the previous year, an increase of $49,082,356, or about 8%. Throughout the year deposits averaged about 13½% higher than in 1951, and earning assets also increased, particularly loans and holdings of United States Government securities. The increase in earning assets and the employment thereof at somewhat better yields, together with an increase in income from the company's various banking services, resulted in a considerable increase in the earnings of the company, notwithstanding greater operating expenses and much higher taxes.

Net operating earnings, after Federal income taxes related thereto, amounted to $5,178,788, or $20.72 per share, for 1952, compared with $4,128,946, or $16.52 per share, for 1951, an increase of 25%. In both years there were non-operating credits and charges, including substantial charges for additions to the reserve for possible future losses on loans, as permitted under Treasury regulations. After such credits and charges, and tax adjustments related thereto, net earnings transferred to undivided profits amounted to $4,478,638, or $17.91 per share, for 1952, compared with $4,071,652, or $16.29 per share, for 1951, an increase of 10%.

The company paid dividends of $10 per share during the year, the same rate as in 1951; but because of the increased number of shares outstanding as a result of the issuance of a 25% stock dividend in October, 1951, the total amount of dividends distributed to shareholders rose from $2,125,000 in 1951 to $2,500,000 in 1952.

The company closed the year with combined capital, surplus and undivided profits of $66,220,322, or $264.88 per share on the 250,000 shares outstanding. This was an increase of $1,978,638 since the end of the preceding year.

New York Security Dealers Elect New Officers

Harry R. Amott, of Amott, Baker & Co Inc., was elected President of the New York Security Dealers Association for 1953. Other officers elected were Herbert D. Knox of H. D. Knox & Co. Inc., Vice-President; Charles H. Dowd of Hodson & Co. Inc., Vice-President; Frederick D. Gearhart of Gearhart & Otis, Inc., Secretary; and Hanns E. Kuehner of Joyce, Kuehner & Co., Treasurer.


Harry R. Amott


H. D. Knox


Charles H. Dowd

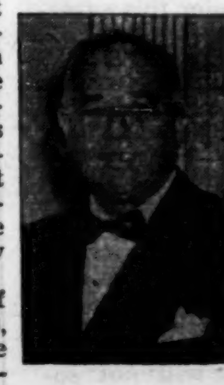

F. D. Gearhart, Jr.


Hanns E. Kuehner


Philip L. Carret


Frank Dunne


Harry MacCallum, Jr.


David Morris


Oliver J. Troster


Samuel Weinberg


Eugene G. Statter

The following were elected to the Board of Governors to serve for 1953:

Philip L. Carret, Granbery, Marache & Co.; Frank Dunne, Dunne & Co.; Harry MacCallum, Jr., MacCallum & Co., Mt. Vernon; David Morris, David Morris & Co.; Eugene G. Statter, Hart, Rose & Co.; Oliver J. Troster, Troster, Singer & Co.; and Samuel Weinberg, S. Weinberg & Co.

The Association will hold its 27th annual dinner on Friday, Jan. 16, at the Biltmore Hotel, at 8 p.m. Subscription for the dinner, (dress informal) is $15.

Let Us Not Sell Our Children Into Slavery

By J. REUBEN CLARK, Jr.*

Former Undersecretary of State and Ambassador to Mexico
Director, Equitable Life Assurance Society
Director, Western Pacific Railroad Company

Speaking on elementary principles of the Constitution, prominent Midwestern attorney and industrialist points out document was not the work of cloistered, fanatical theorists, but of sober, seasoned, distinguished men of affairs, drawn from various walks of life. Quotes Gladstone as saying Constitution was greatest document "ever struck off at a given time by the brain and purpose of man." Warns our greatest danger is not from abroad, but from "some ambitious man among ourselves, who, seeking distinction and power, would enslave free men."

It is always a great pleasure to talk about that greatest of all political documents. I repeat the oft-quoted opinion of Gladstone that: "The American Constitution is the most wonderful work ever struck off at a given time by the brain and purpose of man."

J. Reuben Clark, Jr.

I believe the Constitution was framed under the inspiration of the Lord God Almighty. Washington's thought seemed not too far away from this. For, as the Constitutional Convention was getting under way, some member suggested that "palliatives and half measures would be far more likely to find favor with the people than any thorough-going" provisions. Answering this suggestion, Washington, President of the Convention, arose and solemnly declared: "If, to please the people, we offer what we ourselves disapprove, how can we afterward defend our work? Let us raise a standard to which the wise and the honest can repair; the event is in the hand of God."

This lofty sentiment thereafter guided the Convention.

Moses was no more prepared by the training and experience gained in the Court of Pharaoh for his great service of leading Israel from the bondage of Egypt, than were the framers of the Constitution prepared by training and experience for their work of providing a form of government that would "Secure the Blessings of Liberty to Ourselves and Our Posterity," as they proclaimed to the world in the classic Preamble to the Constitution.

The Framers of Our Constitution

As nearly as I can learn, of the 39 men who signed the Constitution, 26 had served in the Continental Congress, 13 had served both in the Congress and in the Revolutionary Army, 19 had served in the Army, of whom 17 were officers, and of these, four served on Washington's staff. Only two of the signers had not served either in the Army or in the Continental Congress.

This was a choice lot of men. Among the great ones were Washington, Franklin, Hamilton, and Madison. There were many others that were of exceptional training and ability. Jefferson was not there. When he read the document, he was not too favorably inclined; he thought the Framers had been too much impressed with the then recent Shays rebellion in Massachusetts, and that "in the spur of the moment they are setting up a kite to keep the henyard in order."

But Jefferson was wrong. The Framers were not political tyros flying a political kite to keep in order the henyard, that is, the Colonists. They were men widely experienced in affairs of government. I have named some already; I will name them again, with others. There was Washington, a military genius of high order; Franklin (Pennsylvania), a diplomat of great tact and ability, and a scientist; the two Morrises (Pennsylvania), and Hamilton (New York), financiers of the first rank; Wilson (Pennsylvania), a learned and able jurist; Ellsworth (Connecticut), one of the ablest lawyers of his time, and afterwards Chief Justice of the United States; Strong (Massachusetts), an experienced administrator, afterwards ten times Governor of Massachusetts; King (Massachusetts), a humanitarian already distinguished for his fight against slavery; Johnson (Connecticut), an educator of reputation and achievement; Madison (Virginia), sometimes called the "Father of the Constitution," a great statesman. There were others of great ability and experience who helped to produce this historic document. Four men of great ability participated in the deliberations, but refused to accept the final document—Martin (Maryland), Mason (Virginia), Randolph (Virginia), and Gerry (Massachusetts).

The "Federalist"

While the Constitution was under consideration for adoption by the Colonies, Hamilton, Madison, and Jay wrote the "Federalist," a series of essays explaining the document. The first essay appeared in October, 1787; and others appeared during that winter and the spring of 1788. These essays have been appraised as "the greatest treatise on government that has ever been written," and its writers have been ranked as of the same order with Aristotle, Montesquieu, and Locke.

The Constitution was not the work of cloistered, fanatical theorists, but of sober, seasoned, distinguished men of affairs, drawn from various walks of life. They included students of wide reading and great learning in all matters of government. They were among those who had successfully guided the Colonists through a long Revolutionary War, beset not only with grave problems of military necessity and strategy against one of the most powerful nations of the world, but also burdened with vital local problems of coordination and cooperation among and between a loosely-knit confederation of 13 different political entities, each jealous beyond measure of its own political independence and sovereignty, none with great financial strength, and all hesitant, at times to the point of unwillingness, to contribute the necessary funds for the common defense and for waging their war for independence.

Pitt's Estimate

I have permitted myself these introductory remarks in order to suggest to you that the Constitution was born, not only of the wisdom and experience of the generation that wrought it, but also out of the wisdom of the long generations that had gone before and which had been transmitted to them through tradition and the pages of history.

We might here appropriately quote what William Pitt said, not of the Constitutional Convention, but of the First Continental Congress, which included some of the men in the Constitutional Convention and others of equal stature. Indeed, at that time they had not yet been seasoned by the problems and crises of the Revolution. Pitt said: "For solidity of reason, force of sagacity, and wisdom of conclusion under a combination of difficult circumstances, no nation or body of men can stand in preference to the General Congress at Philadelphia. The histories of Greece and Rome give us nothing equal to it, and all attempts to impose servitude upon such a mighty continental nation must be in vain."

"Horse and Buggy" Days

These were the horse and buggy days; these were the men who travelled in the horse-drawn buggies and on horseback; but these were the men who carried under their hats, as they rode in the buggies and on their horses, a political wisdom garnered from the ages. As giants to pygmies are they when placed alongside our political emigres and their fellow travellers of today, who now traduce them with empty mockery and scornful insolence.

Moses, the great Lawgiver, seemingly travelled on foot; so travelled the intellectual giants of Greece and Rome, or by horse or chariot; Christ on foot or by donkey; and so Peter and Paul, though possibly by chariot sometimes; so with all the great ones of early modern times—Napoleon, Peter the Great, the Iron Duke, and scores of others. Intellectual power, wisdom, spiritual greatness, inspiration, vision, have never depended upon nor been proportionate to, speed in transportation.

These Revolutionary patriots were the men who fabricated the Constitution, the document which the political emigres amongst us immigrants from despotism and ignorant of free institutions, hold up to ridicule as the offspring of a rude, almost semi-barbarous people, untaught and untrained in the art of government. Indeed, their scoffing has become so loud and virulent that some among us have come to feel that we must apologize for that divinely inspired charter of liberties and free institutions. Some among us seem almost to cringe with shame when they feel the need of naming the Constitution.

But I declare to you, for what it may be worth, that it is what Gladstone said it was, the greatest document "ever struck off at a given time by the brain and purpose of man," a document which, according to my belief, the Lord Himself "suffered to be established, and should be maintained for the rights and protection of all flesh, according to just and holy principles"; established "by the hands of wise men whom the Lord raised up for that purpose"; and as the Lord said, this land was redeemed by the shedding of blood. I say to you that the price of liberty is and always has been, blood, human blood, and if our liberties are lost, we shall never regain them except at the price of blood. They must not be lost!

The proudest boast of a citizen of ancient Rome was, "I am a Roman." The proudest boast of any patriotic citizen of this free country of ours should be, "I am an American." God grant this boast may ever be ours.

Lincoln's Prophecy

I remind you at this point that Lincoln, speaking before the Young Men's Lyceum of Springfield in 1837 (he was then not yet 28 years old), with far-flung vision and prophecy, declared that our country need not fear all the armies of the world, with a Bonaparte at their head, for such could not, he said, "by force take a drink from the Ohio or make a track on the Blue Ridge in a trial of a thousand years," but that our real danger would come from the hands of some ambitious man who would rise up from amongst ourselves, and, burning and thirsting for distinction, would gratify his ambition whether by emancipating slaves or enslaving freemen. Events of the past few years have abundantly shown how this tragic fate of enslaving freemen might be brought to us.

Accordingly, I shall discuss briefly certain phases of the Executive power under the Constitution, and the present tendency to enhance it.

Two Legal Systems

As of the time of the writing of the Constitution, there were two great systems of law in the world—the Civil Law (the law of Continental Europe) and the Common Law (the law of England and her colonies, including the 13 American Colonies).

The basic concept of these two ssytems was as opposite as the poles—in the Civil Law the source of all law was the personal ruler; whether prince, king, or emperor, he was sovereign. In the Common Law, the source of all law was the people; they, as a whole, were the sovereign.

During the centuries, these two systems have had an almost deadly rivalry for the control of men, the Civil Law, and its fundamental concepts being the instrument through which ambitious men of genius and selfishness

Continued on page 28

*An address by Mr. Clark before the Utah Farm Bureau Federation Annual Convention, Salt Lake City, Nov. 21, 1952.

The Unexpended Balances of Appropriations

By HON. HARRY F. BYRD
U. S. Senator from Virginia

Chairman, Joint Committee on Reduction of Nonessential Federal Expenditures

Leading Senatorial critic of wasteful and nonessential government spending estimates unexpended balances of Congressional appropriations, as of July 1, 1953, as approximately $100 billion, and estimates total will reach $175 billion at beginning of new fiscal year. Says it is obligation of new Congress to regain control over Government expenditures by reviewing and adjusting unexpanded balances.

As chairman of the Joint Committee on Reduction of Nonessential Federal Expenditures, I make this statement relative to estimated unexpended balances in appropriations, and other authorizations for Federal expenditures, as of July 1, 1953.

Harry F. Byrd

It appears that in addition to appropriations yet to be made by Congress in the current session, unexpended balances remaining as of July 1, 1953, in old appropriations will approach $100 billion, with more than $75 billion in general and special fund accounts, and the remaining $20 billion in business enterprise and revolving fund accounts.

Among the civilian agencies this includes:

$8.6 billion in general and special fund accounts; and

$18.1 billion in business enterprise and revolving fund accounts.

Unexpended balances in the military establishment are estimated at $63 billion. Unexpended balances in foreign aid accounts are estimated at approximately $10.5 billion.

$175 Billion Total

It has been reported that the President in his budget message on Friday will estimate expenditures in the fiscal year beginning July 1 at $75 billion to $80 billion, and that he will request new appropriations, effective as of that date, totaling $70 billion to $75 billion.

If such new appropriations should be authorized by this Congress, total funds available for expenditure as of July 1 would approach $175 billion. It is true that a substantial part of these balances have been obligated by contractual agreements but the term "obligated" has no uniform meaning and many agencies of government report the funds to be obligated even though no contract has been entered into. In any event, unexpended balances in old appropriations, as of the beginning of the new fiscal year, will be greater than the new appropriations expected to be requested by the President.

Expenditure Control Lost

The fact remains that this availability of funds in unexpended balances is not generally reviewed by Congress, under ordinary procedures, during consideration of regular appropriation bills.

It is obvious that this procedure of piling up unprecedented unspent balances is not a healthy fiscal policy. It makes much more difficult the Congressional task of effecting economies and controlling expenditures.

Under the Truman policy of the past several years, about half of the Federal expenditures have been from previous appropriations, and about half from current appropriations; unspent balances in appropriations have been carried over in amounts equal to a full year's expenditure or more

As a result of this procedure, Congress has virtually lost control over annual expenditures.

New Congress Obligation

At a time when one of the most difficult problems confronting Congress is to balance the budget and reduce taxes, it is most unfortunate that the fiscal situation is so confused by these huge unexpended balances.

In my judgment, one of the most important obligations of the new Congress is to review the unexpended balances in previous appropriations to each agency of the Federal Government before new appropriations are made. It should be made incumbent upon each agency fully to justify any additional appropriations when huge balances are already available. Then a study should be begun promptly so that in the future appropriations can be enacted on a current basis.

It is true, of course, especially in the military, that government agencies should have the power to contract beyond a one-year period, but Congress should so reform its fiscal procedure to regain expenditure control on a current year basis. This could be accomplished without interference with national defense requirements.

Estimated unexpended balances reported by civilian agencies and summarized estimates for military and foreign aid accounts follow:

Summary of Unexpended Balances in Appropriations and Authorizations to Agencies of the Executive Branch as of July 1, 1953

Showing general and special fund accounts and business enterprise and revolving fund accounts. (estimated)
(in thousands of dollars)

Department Or Agency	General and Special Fund Accounts	Business Enterprise and Revolving Fund Accounts
Executive Office of the President:		
The White House Office	78	--
Executive Mansion and Grounds	145	--
Bureau of the Budget	155	--
Council of Economic Advisers	2	--
National Security Council	18	--
National Security Resources Board	33	--
Office of Defense Mobilization	213	--
Funds Appropriated to the President:		
Emergency Fund for the President	29,939	--
Independent Offices:		
American Battle Monuments Commission	9,863	--
Atomic Energy Commission	3,147,631	25
Civil Aeronautics Board	307	--
Civil Service Commission	2,080	3,172
Defense Materials Procurement Agency	--	33,000
Defense Production Administration	296	1,855,723
Defense Transport Administration	155	--
Economic Stabilization Agency	1,600	--
Federal Civil Defense Administration	32,782	3,081
Federal Communications Commission	296	--
Federal Mediation and Conciliation Service	158	--
Federal Power Commission	392	--
Federal Trade Commission	260	--
General Accounting Office	2,000	--
Government Printing Office	10,463	--
Indian Claims Commission	3	--
Interstate Commerce Commission	775	--
National Advisory Committee for Aeronautics	84,041	--
National Capital Housing Authority	10	--
National Capital Planning Commission	178	--
National Labor Relations Board	762	--
National Mediation Board	97	--
National Science Foundation	3,023	--
National Security Training Commission	11	--
Railroad Retirement Board	30,172	--
Renegotiation Board	242	--
Securities and Exchange Commission	264	--
Selective Service System	6,083	--
Small Defense Plants Administration	400	1
Smithsonian Institution	317	--
National Gallery of Art	107	--
Subversive Activities Control Board	18	--
Tariff Commission	97	--
The Tax Court of the United States	51	--
Veterans Administration	250,687	48,203
Export-Import Bank of Washington	--	2,229,565
Federal Deposit Insurance Corporation	--	4,410,000
Reconstruction Finance Corporation	--	837,906
Tennessee Valley Authority	--	293,941
Federal Security Agency	587,919	403
General Services Administration	1,732,906	17,104
Housing and Home Finance Agency	15,303	3,871,943
Department of Agriculture	1,066,734	4,419,931
Department of Commerce	135,719	44,088
Department of Interior	229,547	14,904
Department of Justice	18,962	4,013
Department of Labor	12,232	3,258
Post Office Department	180,579	--
Department of State	104,267	212
Department of the Treasury	878,956	7,617
Total Civilian Agencies	8,579,328	18,098,090

	Billion
Total Civilian Agencies, including General and Special, and Business Enterprise and Revolving Fund Accounts	26.7
Total, Department of Defense, including General and Special, and Business Enterprise and Revolving Fund Accounts	63.0
Total, Foreign Aid, including General and Special, and Business Enterprise and Revolving Fund Accounts	10.5
Grand Total, including General and Special, and Business Enterprise and Revolving Fund Accounts	100.2

Favorable Outlook Seen for Commercial Banks

N. Baxter Jackson, Chairman, and Harold H. Helm, President of the Chemical Bank & Trust Co., tell shareholders that prospect of better opportunities for free enterprise indicates that present year will be one of promising opportunity for the commercial banking business.

In commenting on the business and banking outlook in the 128th Annual Report to shareholders, N. Baxter Jackson and Harold H. Helm, Chairman and President, respectively, of the Chemical Bank & Trust Co., New York, stated that:

N. Baxter Jackson

Harold H. Helm

"We look forward to 1953 as a year of promising opportunity for the commercial banking business. As the new year begins, we find the leaders of American industry planning for a continuation of the high rate of business activity which has characterized the past year. If such hopes are realized, the economy will require the continued use of a large volume of bank credit.

"Based on commitments already made," the bankers observed, "defense spending will be at a high level. Requirements of the military program will cause manufacturers to carry large inventories. In the final analysis, probably the most important single factor affecting the whole economy is the demand of the armed forces, and this in turn determines in a large measure the demand for bank credit and other types of financing.

"Perhaps the most important influence on the distribution of consumer goods is consumer behavior, which has been most unpredictable in recent years. Consumer credit stands today at an all-time high and, at the same time, individuals are saving more and more with consequent additions to savings deposits, life insurance and retirement plans.

World Conditions Improving

"The international economy is still unsettled by conflicting political forces and trade restrictions on the part of many individual countries, but conditions throughout the free world generally are improving and affairs within our own nation point to sounder monetary and fiscal policies. The past year has brought a diminution in inflationary forces which were so pronounced from the outbreak of the Korean War to early 1951. During 1952, various controls instituted to check these pressures were found to be no longer necessary or desirable. Certainly we are faced with no scarcity of goods. On the contrary, we anticipate a year in which goods of all types will be in plentiful supply with increased competition in distribution, fewer controls, free markets and large production which will provide a healthy climate for business and banks.

"While the public has gained from social and economic reforms over the past 20 years, we have seen the encroachment of socialistic doctrine upon the system of free enterprise on which America was founded. We have seen government outgrow all other business, competing directly with its own citizens who, in effect, have been forced to underwrite such competition through heavier and heavier taxes. Government competition itself has the advantage of tax exemption. During this era, government has become the largest individual lender of money, the largest individual producer of electric power, the largest individual underwriter of insurance, the largest dealer in commodities, the dominant manufacturer of synthetic rubber, and, among other things, the operator of a huge communications network.

"The trend toward socialism has been accompanied by inflationary policies and by a tax program which has gone to such limits as to breed inefficiency in corporate management. It is indeed encouraging to believe that our citizens are aware of these facts. In looking ahead, we feel that our free enterprise system will have better opportunities to demonstrate its benefits and to restore confidence in ourselves with less dependence on government. We believe the banking industry is in a strong position to participate in such opportunities. We aim to lend our full support to every constructive step toward the building of a better nation and a better world."

Stein Bros. & Boyce 100th Anniversary

BALTIMORE, Md.—The investment banking firm of Stein Bros. & Boyce, 6 South Calvert Street, is today (Thursday, Jan. 15) observing its 100th anniversary. Successor to a business originally founded in Baltimore in 1853, the firm is a member of the New York Stock Exchange and other leading exchanges. In addition to offices in New York City and Baltimore, branch offices are located in Philadelphia, Pa.; Cumberland, Md.; and Louisville and Paducah, Ky.

In addition to the general brokerage business which it handles the firm has been active in the underwriting field and has been identified with the financing of many national concerns.

Morgan Stanley Group Offers Ohio Ed. Pfd.

Public offering of a new issue of 150,000 shares of 4.44% preferred stock of Ohio Edison Co. is being made today (Jan. 15) by an investment banking group headed by Morgan Stanley & Co. The stock is priced at $102.50 per share plus accrued dividends to yield 4.33%.

Proceeds from the sale of new preferred and from a current offering to common stockholders of 479,846 shares of common stock, also being underwritten by Morgan Stanley & Co. and associates, will be used for property additions. Proposed expenditures for 1953 are estimated at $56,900,000, the major portion of which will be used for additional generating capacity. A total of 212,000 kilowatts of new capacity will be added in 1953 and 270,000 kw the following year.

Kidder, Peabody Adds

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass.—Arnold H. Dunne has been added to the staff of Kidder, Peabody & Co., 75 Federal Street.

With Lyman Phillips

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Peter Stephens has joined the staff of Lyman W. Phillips & Co., 201 Devonshire Street.

Truman's Last Budget

President submits to Congress the Federal Budget for fiscal year ending June 30, 1954, showing estimated expenditures of $78.6 billion and potential receipts (under existing tax laws) of $68.7 billion, thus indicating fiscal year deficit of about $10 billion.

President Truman

President Truman on Jan. 9 submitted to Congress his Federal Budget for the fiscal year ending June 30, 1954, along with his final Budget Message as President. The Budget calls for expenditures of $78.6 billion, compared with $74.6 billion for the fiscal year ending next June 30, and an estima'd deficit for fiscal 1954 of $9.9 billion, or slightly less than twice the anticipated deficit for the current fiscal year. Government receipts for both fiscal periods (under existing tax laws) are placed at $68.7 billion.

The text of the general section of the President's Budget Message follows:

To the Congress of the United States:

I am transmitting, with this Message, the Budget of the United States Government for the fiscal year ending June 30, 1954.

This Budget represents my judgment as to the amount of funds needed to carry forward our programs for the security and welfare of our people and for world peace. It is based, like all those I have transmitted in previous years, on the policy that the Government should undertake to do only what is essential for the safety and well-being of the Nation, and that what must be done should be done in the most efficient manner.

This Budget has been prepared under unique circumstances. It is the first Budget since the adoption of the Twentieth Amendment to the Constitution to be presented to the Congress by a President who will leave office a few days after its transmission. My successor will be inaugurated as President on January 20. His will be the Executive responsibility during the time when this Budget is being considered by the Congress, and his will be the responsibility for the administration of Federal programs for the period of time covered by this Budget. I have done all in my power to ease the problems of transition to the new administration, including informing the President-elect, through a representative of his choice, of the background and considerations which have entered into the preparation of this Budget. However, I wish to make it clear that neither my successor in office nor any of his staff has participated in the decisions herein represented. The President-elect has no responsibility for the amounts included in this Budget, and will be entirely free, of course, to propose changes in them.

Because of the particular circumstances, there is one significant difference between this Budget and others I have transmitted. In previous years, the Budget estimates have included the cost of new legislation which I recommended to the Congress. Such a practice is a sound rule for Federal budgeting. This year, however, I am not transmitting specific proposals for new legislation. Accordingly, the usual estimates of the fiscal effects of such legislation are not included. For example, neither estimated expenditures for aid to medical education nor estimated receipts from increased postal rates are included. I still support these and certain other legislative proposals as strongly as ever, but since I will not be in office during the fiscal year 1954, I do not think it proper for me to transmit specific new legislative proposals or to budget for them. However, funds are included in this Budget to carry forward certain activities already under way which will require renewed legislative authority to continue into the next fiscal year, such as the programs under the Mutual Security Act and the Defense Production Act.

In this Budget, I am recommending that the Congress enact $72.9 billion in new authority to incur financial obligations during the fiscal year 1954. Total expenditures, from these funds and from balances of authorizations previously enacted, are estimated at $78.6 billion. Receipts under present tax laws, which provide for the expiration of some of the post-Korean tax increases, are estimated at $68.7 billion. On this basis, the deficit is estimated at $9.9 billion. The following table shows the Budget totals for the five fiscal years 1950 through 1954.

These figures show very clearly the budgetary impact of the defense mobilization program on which we embarked after the Communist aggression in Korea in June, 1950. This Program required, among other things, that we increase our active military forces by about two million men and women, equip those larger forces with new and improved weapons, and maintain them for an indefinite period. These were steps judged necessary not only to carry out the commitment we undertook in Korea, but also to increase our defense preparedness in the light of the continuing possibility of fighting on a much larger scale. We are now well along in this program. Our armed forces have long since reached the level of 3.6 million; the initial equipment to outfit them has been ordered, and much of it has been delivered.

New obligational authority, primarily to finance the purchase of military weapons and equipment, rose sharply after the attack on Korea and reached a peak of $92.9 billion in the fiscal year 1952. Since then, new obligational authority has been declining. The amount recommended for the fiscal year 1954 is $20 billion less than the amount enacted for 1952.

Although new obligational authority is declining, expenditures are still rising. This is due to the long lead-time involved in the procurement of military equipment—the time required to design, produce, test, and deliver such complex items as planes, tanks, ships, and guns, after contracts are let. Because of this long lead-time, most items of military equipment are not usually delivered and completely paid for until two or sometimes three years after they are ordered.

Budget Totals
(Fiscal Years—In Billions)

	1950 Actual	1951 Actual	1952 Actual	1953 Est.	1954 Est.
New authority to incur obligations	$50.2	$84.1	$92.9	$80.8	$72.9
Expenditures	40.1	44.6	66.1	74.6	78.6
Receipts (under existing tax laws)	37.0	48.1	62.1	68.7	68.7
Deficit (—) or surplus (+)	—3.1	+3.5	—4.0	—5.9	—9.9

Each year from 1951 through 1953, new obligational authority has exceeded expenditures, because new obligational authority represented for the most part orders being placed, and expenditures represented for the most part payments for goods being delivered. In the fiscal year 1954, fewer orders will be placed, but more goods will be delivered. As a result, expenditures are expected to exceed new obligational authority for the first time since before Korea.

Under our present defense program, military expenditures are expected to reach their peak in the fiscal year 1954 and to start declining in subsequent years. If our armed forces are stabilized at their presently approved goals and if no new aggressions occur, new obligational authority and expenditures may be expected to level off in future years at the amounts necessary to maintain these forces and to replace current equipment with new and better items as they are developed. It is difficult to forecast with any precision the amount by which total Federal expenditures may be expected to drop in future years under these assumptions, but it may be in the neighborhood of 10 billion. In my judgment, however, a drop of this magnitude cannot be expected for at least two or three years.

Budget Expenditures

This Budget is dominated, as the last three have been, by the cost of national security. About 73% of all Budget expenditures in the fiscal year 1954 will be for six major national security programs—military services, international security and foreign relations, the development of atomic energy, the promotion of defense production and economic stabilization, civil defense, and merchant marine activities. In the fiscal year 1954 these programs will cost approximately $57.3 billion.

An additional 14% of Budget expenditures in 1954 will be for interest and for veterans' services and benefits. These expenditures, which will amount to approximately $11 billion, represent for the most part a continuing cost of World War II; in addition, they include the costs of services and benefits for the growing number of veterans of the fighting in Korea.

The remaining 13%, or $10.3 billion, will be for all other activities of the Government. Some of these activities—such as the port security program of the Coast Guard and the internal security program of the Federal Bureau of Investigation—have a direct bearing on our national security. Others—such as our programs for agriculture, housing and community development, education and general research, labor, social security, welfare, and health—help to assure our continued social and economic progress and to strengthen the Nation for the long, hard period of world tension that lies ahead of us. Still others represent basic functions of Government, such as making and enforcing the laws, collecting taxes, and maintaining Federal records and property.

As the following table indicates, expenditures for major national security programs not only dominate this Budget, but also account for most of the increase in total Budget expenditures since 1950, the last full fiscal year before the attack on Korea.

Budget Expenditures
(Fiscal Years—In Billions)

Program—	1950 Actual	1951 Actual	1952 Actual	1953 Est.	1954 Est.
Major national security	$17.8	$26.4	$47.2	$53.2	$57.3
Veterans' services and benefits	6.6	5.3	4.9	4.5	4.6
Interest	5.8	5.7	5.9	6.5	6.4
Other	9.6	7.9	9.0	10.4	10.3
Adjust. to daily Treasury statement	+ .3	— .7	— .9	----	----
Total	40.1	44.6	66.1	74.6	78.6

Expenditure Policy

In the preparation of this Budget, every Government program—including those directly concerned with national security—has been reviewed in the light of the current outlook for international developments, in the light of the heavy tax burden, and in the light of the long-term needs of the Nation. The recommended estimates reflect our constant effort to adjust expenditure programs to make sure they are at the minimum level consistent with our national objectives. Proposals for military procurement, for example, reflect our policy of relying, wherever possible, on a continuing flow of weapons and equipment from production lines, rather than on the accumulation of large inventories of reserve stocks.

Increased funds have been included in this Budget only for those programs where, in my judgment, a clear and definite need exists that cannot be longer deferred without impairing the public interest. In the case of several regulatory agencies, such as the Interstate Commerce Commission, the Federal Trade Commission, the Securities and Exchange Commission, and the Federal Communications Commission, earlier cutbacks were so severe that steps have been taken in this Budget to restore some of them. Even in these instances, however, the policies have been strict. Funds have been provided for handling increased workloads or backlogs of unfinished work only when failure to do so would result in delays which would have to be made up later at an even greater expense, or in a serious impairment of an agency's ability to carry out the responsibilities assigned to it by law. It would be shortsighted to do less.

Because of the overriding requirements of the national security programs, many important Government services to businessmen, farmers, and the public at large have been held, in recent years, to levels below those justified by our growing population and expanding economy. Rising prices have also increased the cost of Government and have reduced the actual service to the public per dollar spent just as they have reduced the purchasing power of private individuals and firms. When defense spending has declined, we must bring these services to levels consistent with the long-range development of the Nation and its resources.

The recommended appropriations anticipate increases in efficiency resulting from reorganizations, improved management procedures, and better programming of the work to be done. Substantial progress has been made in strengthening Federal management in the last few years so as to get more work done at less cost. This progress is reflected in this Budget, and will continue to be a factor in future Budgets.

Government organization and procedures are not static. They must be continually reviewed and modernized in order to adapt the machinery of Government to its current tasks. An examination of

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From Washington Ahead of the News

By CARLISLE BARGERON

Millions of words have been written in the past two months on what is likely to engage the attention of the first session of the Eighty-Third Congress. But what is now apparent is that it is to be engaged, to a very large extent, with Senator McCarthy.

There is seldom a day that he isn't in the headlines. If it isn't one thing it is another. It seems that he is even dominant in the thoughts of the Senate Democratic leaders in their assignment of Democratic Senators to committees. They had to go through considerable of a committee shake-up, in fact, in order to put some of their abler and more alert members on the investigating committee which McCarthy will head. One of their most important jobs as a minority, it seems, will be to try to keep the Wisconsin Senator in check. They are giving as much attention to this investigating committee as they ordinarily would to the Foreign Relations, Appropriations or Finance Committees.

Carlisle Bargeron

I had hoped we would hear less of the Senator and of so-called McCarthyism once the campaign was over. He was an understandable, though unsuccessful issue for the Democrats in that campaign. But now the votes have been counted and you would think the whole purpose of the issue, of the watchword "McCarthyism" would be lost.

There is no doubt in my mind that from his utterances and actions the Senator hoped this would be so. He gave every indication that he wanted to tone down, which rather belied the charges against him that he had an overweening ambition that didn't stop short of the Presidency.

That he is still to be an issue and a center of the stage, ranking with what should be done about Korea, about European aid, about taxes, is, I am convinced, through no fault of his. His enemies are determined to keep the matter alive. They are not going to allow him a moment of rest. Day in and day out and throughout the nights, they are to be gunning for him. They may eventually crack him, but they are more likely to build him into a more powerful man than he ever dared to hope to be.

There is some cunning strategy in this on the part of his opponents. It is not all based on downright hate. An important purpose is to discredit in advance the revelations his investigating committee is expected to make about the misdeeds of the Democrats in power over the past 20 years.

Such an investigation and such revelations are inevitable unless the Republicans are content simply to rest on their victory. It is their job to make the people so disgusted in the next four years with what the Democrats did in their long reign of power that there will be no serious thought of returning them to office again. The Republicans were quite negligent about this in the brief two-year period, 1946-48, they controlled Congress. They were so smug or so lazy that they kept many New Deal pinks and, in some instances, commies, in key committee jobs. And it is my guess they wouldn't accomplish so much in the investigating line this time without a man like McCarthy to do the job.

When the New Dealers came in in 1933 the first thing they did by way of setting the stage for the revolution that was to come was to set loose any number of investigating committees. Singly and together they painted such a sordid picture of thievery, thuggery and wrongdoing, generally, on the part of our leading citizens, our captains of industry, that it was several years before our bankers, for example, were able to walk unattended on the streets. Certainly there should now be some New Deal skeletons paraded to make possible the counter-revolution, or the return to decency in government.

Undoubtedly this will go against the grain of the hard core of the Republican party. Republicans by the very nature of things are not given to screaming and shouting recriminations in public. The conservatism which makes them Republicans runs through their whole outlook on life.

But the party would be very foolish to assume that the turnover which occurred in November is a continuing state of affairs; that the people showed they were fed up and will remain that way. They very definitely showed they were fed up at the time but raw meat must continue to be fed to them. They have got to be kept mad at those who betrayed them over the period 1933-52.

I certainly wish, myself, that the man who is to head up the Republican investigation would be a soft-voiced, refined, Harvard professor type who was also deacon in a church. But it can't happen that way.

What the scoundrels would do to such a man, even if such a man ever developed the taste or the stomach for such work, would be like nobody's business. It takes a leather-hided fellow like McCarthy to handle the situation.

Desirability of Equity Investing Discussed on Radio

"Should People Invest in Common Stocks?" was the discussion topic on the Northwestern University Reviewing Stand Sunday morning, Jan. 11. Panel participants were:

Andrew M. Baird, A. G. Becker & Co. Incorporated.

Erwin W. Boehmler, Educational Director, Investment Bankers Association of America.

Harry G. Guthmann, Professor of Finance, Northwestern University.

Marshall D. Ketchum, Associate Professor of Finance, University of Chicago.

Dean James H. McBurney, School of Speech, Northwestern University, served as moderator.

The program originated on WGN, Chicago, and was broadcast over some 200 outlets of the Mutual Broadcasting Network.

NASD District 8 Elects Officers

CHICAGO, Ill. — Newton P. Frye, President, Central Republic Company, Chicago, Illinois, has been elected to the Chairmanship of District Committee No. 8 of the National Association of Securities Dealers, Inc., to succeed Joseph E. Dempsey. Mr. Frye will assume office Jan. 15, 1953.

Newton P. Frye

The newly elected Vice Chairmen are J. Gordon Hill, Watling, Lerchen & Co., Detroit, Michigan, and Carl McGlone, Carl McGlone & Co., Inc., Chicago, Illinois.

Messrs. Frye and McGlone are serving their third year as members of the Committee, and Mr. Hill is serving his second year.

John F. Brady, Secretary since 1952, continues as the Executive Officer of the Association at Chicago.

District No. 8 is constituted by the States of Illinois, Indiana, Iowa, Michigan, Nebraska and Wisconsin.

On Jan. 15, 1953, Arthur S. Grossman, Straus, Blosser & McDowell, Chicago, Ill., Alfred R. Kramer, Kramer-Gardner Company, Burlington, Iowa, John D. McHugh, James J. McNulty & Co., Chicago, Ill., and W. Thurman Riley, Riley & Company, Milwaukee, Wis., will become members of the Committee succeeding Messrs. Vern S. Bell, Bell & Farrell, Inc., Madison, Wis., Joseph E. Dempsey, Dempsey & Company, Reuben Thorson, Paine, Webber, Jackson & Curtis, and Harry G. Williams, Quail & Co., Davenport.

Ohio Edison Common Stk. Offer Underwritten

Rights to purchase an aggregate of 479,846 additional shares of common stock (par $12) of Ohio Edison Co. were issued on Jan. 8 to common stockholders for subscription at $25.25 per share on a one-for-ten basis. An underwriting group headed by Morgan Stanley & Co. will purchase any shares remaining unsubscribed at the termination of the subscription period on Jan. 23, 1953.

The proceeds from the sale of additional common and from the sale of 150,000 shares of preferred stock on Jan. 13 will be used for property additions. Proposed expenditures for 1953 are estimated at $65,900,000, the major portion of which will be for additional generating capacity. A total of 212,000 kilowatts of new capacity will be added in 1953 and 270,000 kw. the following year.

The company which is the largest electric utility in Ohio, supplies electric service in 577 communities in the state including Akron, Lorain, Mansfield, Springfield, Warren and Youngstown, Ohio, and its subsidiary, Pennsylvania Power Co. supplies electric service in 132 communities in western Pennsylvania. The two companies have joined with nine other utilities to form the Ohio Valley Electric Corp. which will supply the power requirements for the Atomic Energy Commission's new gaseous diffusion project near Portsmouth, Ohio.

Total operating revenues of the company and its subsidiary for the 12 months ended Oct. 31, 1952, amounted to $99,942,000 and net income was $15,537,000, equal after preferred dividend requirements, to $2.86 per common share.

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Observations . . .

Resolution seemingly giving the nod to the right of expropriation, and also by the recent abortive agitation for an International Finance Corporation to supplement the World Bank's investment operations, is also covered by this group. They report general agreement that the real solution to the problem lies with the governments of the countries where the investments are to be made. Investment guarantee proposals are frowned on as inexpedient, since they encourage rather than discourage unsound policies.

Our Agencies' Over-Staffing

Hopefully, for the benefit of the new Aid Administrator Harold Stassen, the opinion is brought back that we have too many people and too many agencies in Western Europe; with confusion and wasted effort the result. We still have MSA missions in some countries to which we have not been giving economic aid for some time. Stating that the situation does not require another study employing a large staff to consider and report on the problem, and opposing the proposal for the creation of one new over-all department "whose only assignment would be to give away Uncle Sam's money," the group proposes that the economic aid functions be transferred to the ample existing permanent agencies as the State Department or the Department of Defense. They report that drastic reduction in personnel is feasible, and that such "a very substantial reduction will result not in less but in more efficient operation."

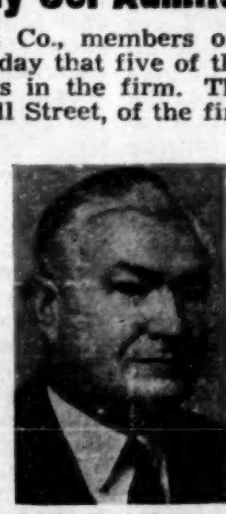
In completing its job the Committee came up with several important specific suggestions. The proposed Customs Simplification Bill, which was passed by the House but not by the Senate, should be promptly revived and passed. We must modify our agricultural export subsidy program; and also repeal Section 104 of the Defense Production Act which has cut off our imports of cheese and other dairy products. And finally, we must cease our unrealistic attempts to direct the practices and policies of peoples of other countries.

All of which proposals seem unobjectionable and entirely constructive. They are part and parcel of this thoroughly and uniquely worthwhile government-sponsored mission, whose significant message is most importantly epitomized in this single sentence: "It is imperatively clear that the most important element required for the complete recovery and future prosperity of Western Europe is its own will to survive."

Kidder, Peabody Co. Admits New Partners

Kidder, Peabody & Co., members of the New York Stock Exchange, announced today that five of their staff members have become general partners in the firm. The new partners in the New York office, 17 Wall Street, of the firm are Alfred E. Borne-

Alfred E. Borneman



Louis D. Miltimore

E. Merrill Darling

Lloyd B. Waring

Richard N. Young

man and Louis D. Miltimore. Mr. Borneman joined the firm in 1928 after graduating from the Harvard Business School. Mr. Miltimore became associated with the firm in 1935, before that he was with the Chase National Bank in their Investment Advisory Department.

In the Boston office, 75 Federal Street, E. Merrill Darling and Lloyd B. Waring, both of whom joined the firm in 1921, will also become general partners. Mr. Darling is a former President of the Harvard Business School Alumni Association and the Financial Advertisers Association of New England.

Richard N. Young, with the firm since 1934, will become a general partner in the Philadelphia office, 123 South Broad Street.

With Mutual Fund Assoc.

(Special to The Financial Chronicle)

SAN FRANCISCO, Calif.—Marjorie M. Brown, Jack H. Call, Melvin L. Jory, Jr., George H. Pittman, and Ellsworth A. Rico have joined Mutual Fund Associates, 127 Montgomery Street.

With Lola Turner Co.

(Special to The Financial Chronicle)

SAN JOSE, Calif.—Richard A. Ball, Howard E. Brown, John R. Essick, Clarence R. Leininger, and Blake M. Taylor have joined the staff of Lola Turner & Co., Bank of America Building.

Continued from page 3

The Outlook for 1953

pect that they will do that unless a *modus vivendi* can be arranged with Russia? And, who expects that?

The gloomy outlook for expenditures makes any consequential tax reduction highly improbable. The Republican party has always stood for a balanced budget and reduction of the public debt. As there is no reason to believe that these traditional policies will not be followed in the coming months, it seems inescapable that tax reductions, if any, will not amount to much. In fact, it now seems likely that instead of being allowed to lapse, even the excess profits tax will be modified to make it more workable and to remove some of the gross inequities of the present statute. Also, the moderate reduction in the personal income tax expected by most people now appears doubtful.

Unfortunate as is the outlook for expenditures and taxation, it is doubly unfortunate that so many people are expecting consequential changes. Their disappointment when great changes fail to materialize may well cause a pessimistic reaction which could adversely affect business activity. At the very least, the disappointment will cause some of the "rice" Republicans to feel that they "have been sold down the river!" So, it is high time for the word to spread that, in government as in agriculture, the crop reaped depends on the seed sown. Twenty years of Democratic sowing and $70 billion of unspent military appropriations, plus about $10 billion of such unspent funds in other government departments, guarantee that the coming fiscal crop will be an expensive one!

The Business Outlook

The business outlook is much more encouraging than the fiscal outlook.

Plant and equipment expenditures, according to both the Department of Commerce and the McGraw-Hill surveys of the capital spending plans of business, **will decline less than 5% from the 1952 all-time record high of $27 billion.** It should be remembered that these surveys were made when business was in a very optimistic phase and, thus, will probably prove on the high side. The keener competition ahead may cause cutbacks as businessmen recognize that over-capacity, not under-capacity, has once more become something to reckon with. On the other hand, the pressure of high wages will continue to force the substitution of capital for labor on a large scale. So, the capital goods industries can undoubtedly look forward to a good year in 1953.

Construction, other than housing and industrial construction, promises to be higher in 1953 than last year. There will be no hindrances, as building materials will be in good supply, construction controls will be removed early in the year, and ample financing will be available. **Commercial construction,** in particular, should surge ahead as much as 15 to 20%. This is an area in which there is still a substantial backlog of pent-up demand. **Utilities construction,** also, will be at a high level, as only one-half of the electric light and power facilities authorized under accelerated depreciation certificates have been built. **Public works construction,** particularly schools and highways, also may be expected to go ahead of the 1952 figures.

Retail trade, despite all the complaints, reached an all-time high of $164 billion in 1952, and should go even slightly higher in 1953. The shift from downtown department stores to suburban stores and specialty shops may be expected to grow in volume, because of price maintenance efforts, city sales taxes, and "hardening" of the traffic arteries. So, when you hear complaints about retail business being bad, take note of the location of the complainer!

What Is There to Worry About?

With capital expenditures very high, with construction expenditures very high and going higher, with retail trade trending upward from record-breaking levels, and with high government spending assured, what is there to worry about? Well, there are many things that might be mentioned, such as dangerous wage policies, subsidization of various economic groups, and costly foreign aid programs, but there are four economic developments that are becoming more critical every day. These developments are so familiar to all students of business that, paradoxically, this very familiarity may "breed contempt!"

The first, and over-riding, fact that businessmen must face up to is that **the productive capacity of the United States has been expanded so much, it is more than adequate for our astounding and unprecedented high-level** "guns and butter" economy.

The second, and closely related, basic fact is that the pent-up and backlog demands of our economy at present price levels have been satisfied and **business must rely on lower prices, new products and replacement demands for sales in the months ahead.**

The third fact is the great increase in debt, which is now beginning to weigh on the economy. Both private and public debt have increased to the point where their combined total at the end of 1951 was $519 billion. It is reassuringly pointed out by the Department of Commerce that the ratio of debt to national income was lower at the end of 1951 than in 1940, but that reassurance should be taken *cum grano salis*, because the national income was greatly swollen by heavy government expenditures for rearmament and military housekeeping. It is the increase of $25 to $30 billion a year in private debt which is the most disquieting. This rate of increase, which has been under way for six years, obviously cannot continue forever! The implications are obvious.

A resultant of the foregoing factors, but nonetheless important enough to be considered separately, is our heavy inventory position. The huge total of $75 billion can be rationalized by relating it to the changes in prices and business volume, by relating it to our higher standard of living, by blaming the delays involved in defense production, and so on, but the total remains a fact on the books and the physical goods are on the warehouse shelves. The growing seriousness of the inventory problem can be seen by a quick look at just two basic factors:

(1) Steel production running at the rate of 115 million ingot tons per year has overcome the effects of the 54-day strike last summer and built up consumers' inventories to the point where production may actually have to be cut back after this quarter!

(2) Gasoline and fuel oil production is running ahead of demand. The supply of crude is some 7% greater than a year ago, but demand is up only about half. If the great 800,000 barrel per day production of the Abadan refinery in Iran should, by some miracle, be brought back on the market, the present demand and supply relationship would shift even further toward excess supply.

The Money Market Outlook

Turning now to the money market outlook, I am sure that you have not missed the significance of the appointment of W. Randolph Burgess, a former high official of the Federal Reserve Bank of New York, to the newly created post of Special Deputy Secretary of the Treasury in Charge of Debt Management, with his office in the Federal Reserve Bank building in the Wall Street financial center!

Debt management and monetary and credit management will undoubtedly be utilized very heavily by the Republicans. Any slackening in business activity will be met by **credit relaxation through both debt and credit management channels.** The Republicans know that a consequential recession in business activity will defeat them at the next election. After their 20 year exile in the bush league, you can bet your bottom dollar they will do everything possible to remain in Washington.

Because of this Republican determination, as well as the basic factors of supply and demand, I am still of the belief that the long-term trend of interest rates is down and not up!

The Stock Market Outlook

Now, just one word about the stock market outlook. As you well know, although gross profits are at unprecedented levels, profits after corporate taxes are by no means adequate. In fact, as Dr. Leo Barnes of the Prentice-Hall Economic Service has so trenchantly indicated, **corporate profits after taxes in 1952 represent only 3.6% of sales, which is the lowest figure of any year since the great depression of 1932-33.** Dividends have held up only because a larger proportion of net earnings has been paid out.

The plain fact is that net profit margins are too thin and break-even points are too high in many industries. The increased competition of 1953 will spotlight these weaknesses, although profits on the whole will be nearly up to the 1952 level. It follows that in evaluating the outlook for a particular industry, greater than usual consideration should be given profit margins and break-even points.

Fortunately, the new Administration understands something that most of Harry Truman's boys either never knew, or forgot as soon as they arrived in Washington, namely, that profit is the incentive which makes our enterprise system work! A decent respect for profits will be such a great change from recent years in Washington, that it is bound to have a tremendous psychological effect on equities.

Conclusions

My conclusions are very brief. We start this new year with a new political administration and with business activity at a very high level. There is a danger that people will expect too much of the "new broom" in Washington and that their disappointment will cause a reaction sometime after the first few months.

Basic economic factors indicate keener competition and slightly lower prices. Although the total national production will probably be greater than it was last year, whereas 1952 opened low and closed high, the prospect is that 1953, which is opening at a very high level, will close at a lower level.

In the money market, the longer outlook is for lower interest rates.

In the stock market, while earnings after taxes will be inadequate, dividends will be satisfactory. The confidence factor as expressed in the times-earnings ratio will be the key to stock market behavior in 1953.

Stock Purchases by Life Companies Off in 1952

Institute of Life Insurance reports purchases were below $200 million or one-third below acquisitions in 1951.

According to the Institute of Life Insurance, purchases of corporate stocks by the U. S. life insurance companies were under $200,000,000 in 1952, one-third less than the investments of this type the year before.

Aggregate life insurance company holdings of stocks at the start of 1953 were estimated at well over $2,300,000,000, about $100,000,000 more than was held at the start of 1952. Stocks are carried by the life companies at market value in year-end valuations.

Preferred stocks accounted for more than half of the 1952 acquisitions of stocks by the life companies, in contrast to the 1951 experience, when common shares represented well over half of the year's total.

There was also a shift in the emphasis on type of security during the past year. In 1951, about two-thirds of the stocks bought by the life companies had been industrial corporation shares, but in 1952 public utility shares led the list, accounting for a little over half of all stock purchases.

In the first 11 months of 1952, for which book value figures are now available, the life companies purchases of stocks amounted to $170,000,000, compared with $256,000,000 in the corresponding period of the previous year. Of the 1952 11-month stock acquisitions, $89,000,000 was made up of preferred shares, and $81,000,000 of common shares. Utilities accounted for $87,000,000 and industrials $73,000,000, with railroads amounting to $10,000,000. In the first 11 months of 1951, the utility shares acquired by the life companies had amounted to $86,000,000, industrial shares $160,000,000 and railroads $10,000,000.

Eastland, Douglass Co. Opens in San Francisco

SAN FRANCISCO, Calif.—Eastland, Douglass & Co., Inc. has been formed with offices at 100 Bush Street, to engage in the securities business. Officers are Earl S. Douglass, Chairman of the board; P. T. Kavanaugh and L. H. Easterling, Vice-Presidents, and P. M. Wie, Secretary-Treasurer. Mr. Easterling and Mr. Wie were formerly with Walston, Hoffman & Goodwin. Mr. Douglass has been Chairman of the board of Douglass, Van der Naillen & Co., Inc.

Firm Name to Be Walston & Co.

Effective Feb. 1 the firm name of Walston, Hoffman & Goodwin, members of the New York and San Francisco Stock Exchanges, and other leading Exchanges, will be changed to Walston & Co. The firm maintains many offices throughout the country.

NEWS ABOUT BANKS AND BANKERS

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED
CAPITALIZATIONS

Arthur C. Hallan, Secretary-Treasurer of Allied Stores Corporation, has been appointed a member of the Advisory Committee of **The Chase National Bank's** 34th Street Branch in New York.

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Five new members have been elected to Advisory Boards of **Chemical Bank & Trust Company** offices in New York, it was announced on Jan. 9, by N. Baxter Jackson, Chairman. Philip L. Becker, President, American Chicle Co.; Roy W. Moore, Jr., Vice-President, Canada Dry Ginger Ale, Inc., and Donald G. Power, President, General Telephone Corp., have been elected to the bank's 100 Park Avene Office. Clinton S. Lutkins, senior partner of R. W. Pressprich & Co., has been elected to the board of Chemical's 30 Broad Street Office, and Thomas E. Lovejoy, Jr., President, Treasurer and director of Manhattan Life Insurance Company, has been elected to the board of Chemical's Rockefeller Center Office at 11 West 51st St.

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Walter N. Rothschild, President of Abraham & Straus, has been elected to the Board of Trustees of **United States Trust Company of New York**, it was announced on Jan. 12, by Benjamin Strong, President. Mr. Rothschild is Chairman of the Executive Committee of Federated Department Stores, Inc., a director of Wm. Filene's Sons Co., and of Douglas Gibbons & Co., and a director and former Chairman of the Board of Associated Merchandising Corporation. He is also a member of the board of trustees of Sarah Lawrence College and of the Federation of Jewish Philanthropies of New York, and a member of the Graduate Council of Princeton University.

On Jan. 8, Wm. Gage Brady, Jr., was the guest of honor at a dinner at the Union Club, New York City, given for him by the members of the Board of Trustees of the **East River Savings Bank** of New York. Mr. Brady, who has been a member of the bank's Board of Trustees since 1936, has resigned from the Board and his other industrial and banking activities, including the Chairmanship of The National City Bank of New York. In retirement Mr. Brady will live in Carters Bridge, Virginia.

The East River Savings Bank of New York, announced on Jan. 8, the appointment of Robert E. Mullen and Charles E. Mills as Assistant Comptrollers. Mr. Mullen, a former member of the staff of the New York State Banking Department, was Assistant Secretary and Assistant General Auditor of the Mortgage Commission prior to joining the staff of the East River Savings Bank in September, 1941. Since 1949 he has been Supervisor of the Examining Division.

Mr. Mills, an employee of the bank since October, 1939, is Supervisor of the Internal Auditing Division. Formerly, Mr. Mills was an accountant with Biggs Mohrman & Co. Both he and Mr. Mullen have served on committees of the Savings Bank Auditors and Comptrollers Forum.

* * *

Major General Leland S. Hobbs, Deputy Commander of the First Army and Combat Division Commander of World War II, is to retire from active service on Jan. 31, 1953. On retirement General Hobbs will accept a position as a Vice-President, Office of the President, of the **Colonial Trust Company,** whose main office is in Rockefeller Center, **New York City.** He and Mrs. Hobbs will make their home in New York. General Hobbs' 37 years of Army service has spanned both World Wars and duty on the Mexican border preceding World War I.

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UNDERWRITERS TRUST COMPANY, NEW YORK

	Dec. 31,'52	June 30,'52
Total resources	$42,199,507	$49,963,649
Deposits	38,863,046	46,721,061
Cash and due from banks	10,086,923	12,706,479
U. S. Govt. security holdings	12,616,568	17,823,809
Loans & discounts	17,447,272	16,973,998
Undivided profits	1,087,889	1,030,595

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THE CORPORATION TRUST COMPANY, NEW YORK

	Dec. 31,'52	June 30,'52
Total resources	$2,672,764	$2,520,082
Deposits	140,501	169,754
Cash and due from banks	1,297,608	1,127,753
U. S. Govt. security holdings	478,597	472,181
Undivided profits	158,361	237,900

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James N. Cameron has been elected Assistant Vice-President and Frank P. Plunkett has been elected Assistant Cashier of **Lafayette National Bank of Brooklyn, N. Y.,** according to an announcement by Walter Jeffreys Carlin, President of the bank. At the annual meeting of shareholders all directors were re-elected, Mr. Carlin said.

Formal consolidation of the **First National Bank of Huntington, Suffolk County, N. Y., and The First National Bank & Trust Company of Northport, N. Y.,** was announced on Jan. 8. The merged institution, designated the **First Suffolk National Bank of Huntington,** is reported as the largest commercial bank in Suffolk County with total resources of $18,464,906 on Dec. 31, 1952. Capitalization of the new bank consists of 47,600 shares of $10 par value common stock. To facilitate the consoldiation, the investment banking firm of Shields & Company was engaged and performed certain underwriting agreements concerning the exchange of the outstanding stocks of the two predecessor banks for stock of the surviving bank. Stockholders of Huntington received one and one-fifth shares of new stock for each outstanding old share, while Northport stockholders received seven new shares for each share of that institution's common stock. George A. Heaney, President of First National of Huntington since 1950, and a banker for 25 years, is now President of the consolidaated bank. A. J. Davey, President of the First National of Northport, has announced his retirement from active banking affairs but will continue to serve on the advisory board of the new bank's Northport office. Philip Stark has become Vice-President in charge of that office.

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At a meeting of the Directors of the **Lynn Safe Deposit and Trust Company of Lynn, Mass.,** held on Dec. 23, Roger M. Dunbar, Assistant Treasurer and Trust Officer, was elected Treasurer, succeeding David Dunbar who resigned after 63 year's service, to take effect on Jan. 2. In addition to assuming the duties of Treasurer, Roger M. Dunbar will continue as Trust Officer. Benjamin M. Hartshorn, Jr. was elected Assistant Treasurer. Charles W. Harwood is President of the company.

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Ernest Clayton, President of the **Industrial Trust Company of Providence, R. I.,** has been selected as a member of the Federal Advisory Council to serve for the year 1953, the Federal Reserve Bank of Boston has announced. The Federal Advisory Council meets with the Federal Reserve Board at least four times a year to confer on general business conditions and to advise the Board with respect to money matters and the general affairs of the Federal Reserve System. Mr. Clayton will represent the First (Boston) Federal Reserve District. Mr. Clayton has taken an active part in the affairs of Rhode Island and New England, having served as President of the Rhode Island Bankers Association, Director of the New England Council, etc.

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Following the purchase of the **North Jersey National Bank of Pompton Lakes, N. J.,** by the **First National Bank & Trust Company of Paterson, N. J.,** the actual transfer of assets and deposit liabilities of the former bank took place during the week-end of Jan. 3, officers of the two institutions made known. The North Jersey National Bank will henceforth be known as the Pompton Lakes Office of the First National Bank & Trust Co. of Paterson, and opened for business on Jan. 5, under its new name. The same personnel will continue to serve customers in this Pompton Lakes Office. At a special meeting held on Dec. 11, shareholders of the North Jersey National Bank voted to accept the proposal of First National Bank to purchase the institution. At the same time they appointed David W. Hopper and Ralph Casler, to serve as liquidating agents. According to the terms of the purchase, noted in our issue of Nov. 27, page 2038, shareholders of the Pompton Lakes institution will receive a liquidating value of not less than $60 per share. First National Bank & Trust Company of Paterson will now have 11 offices in Paterson, Clifton and Pompton Lakes. Total resources of the First National Bank & Trust Co., and the North Jersey National Bank were approximately $210,000,00 as of Dec. 31, 1952.

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Floyd L. Greene and Fred Carpi were elected to the board of directors of **The First National Bank**

Floyd L. Greene

Fred Carpi

of Philadelphia at the annual meeting on Jan. 13. Mr. Greene is Chairman of the Board of General Refractories Co., Philadelphia, and Mr. Carpi is Vice-President in charge of traffic for the Pennsylvania Railroad.

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Col. Charles Hancock Reed, President of Williams & Reed, Inc., of Richmond, Va., was elected a director of **The Bank of Virginia, at Richmond,** at the annual meeting of the bank's stockholders on Jan. 9. Col. Reed is a director of Larus & Brother Company, of Richmond; a member of the Board of Visitors of Virginia Polytechnic Institute and a director of the Atlantic Rural Exposition. He entered West Point in 1918, graduating in June, 1922, as a Second Lieutenant, Cavalry. From 1922 until 1941 he served with various regiments. He was transferred to the Armored Force in 1942 in the grade of Lieutenant-Colonel. In January, 1943, he assumed command of the 2nd Mechanized Cavalry Regiment. Following the German surrender, he remained in the European Theater as regimental commander of the 2nd Constabulary Regiment, Armored, until August, 1947. He returned to serve as secretary of the General Staff, Army Field Forces, Ft. Monroe, Va., until February, 1949, when he retired by his own request to accept the position of Treasurer of Williams & Reed, Inc. He was advanced to President of that organization in 1950, following the death of C. C. Reed.

An improved retirement plan for staff members of **The Bank of Virginia** was approved by the bank's stockholders at the annual meeting on Jan. 9, in Richmond, according to John R. Baldwin, Director of Personnel for the bank. Already approved by the bank's directors, the amended plan is subject to approval by the Treasury Department and Salary and Wage Stabilization authorities. It would take effect from Jan. 1. Mr. Baldwin said the new program supplements a present retirement plan for the bank's staff launched in 1941, and increases Mr. Baldwin said the new probenefits at retirement age for those participating. On Jan. 1, the bank had 74 officers and 520 staff members. Of this total number 183 were the age of 35 or older.

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CONTINENTAL ILLINOIS NATIONAL BANK AND TRUST COMPANY OF CHICAGO, ILL.

	Dec. 31, '52	June 30, '52
	$	$
Total resources	2,800 500,848	2,565,397,000
Deposits	2,568,797,375	2,331,275,571
Cash and due from banks	559,158,953	663,290,899
U. S. Govt. security holdgs.	1,296,655,069	1,076,597,084
Loans & disc'ts	767,043,046	648,770,372
Undiv'ed profits	24,073,147	20,202,962

THE DETROIT BANK, DETROIT, MICH.

	Dec. 31,'52	Dec. 31,'51
	$	$
Total resources	699,931,349	652,966,821
Deposits	664,029,734	621,074,280
Cash and due from banks	128,185,082	128,269,633
U. S. Govt. security holdings	311,050,514	278,762,584
Loans & discounts	97,766,369	93,382,071
Undivided profits	4,450,289	5,356,660

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NATIONAL BANK OF DETROIT, DETROIT, MICH.

	Dec. 31, '52	June 30, '52
	$	$
Total resources	1,729,611,974	1,583,577,281
Deposits	1,638,913,640	1,503,939,733
Cash and due from banks	452,048,365	369,844,952
U. S. Govt. security holdgs.	722,148,023	740,347,756
Loans & disc'ts	401,433,402	354,183,381
Undiv'ed profits	1[illegible],[illegible],471	10,966,062

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The Douglas County Bank of Omaha, Neb., announced on Jan. 1, the promotion of Paul M. Pedersen to Senior Vice-President; Walter W. Clark to Vice-President; Charles J. Wright to Cashier; Leonard J. Hruska to Assistant Vice-President; Louis Murdoch to Assistant Cashier, and De E. Zerbe to Auditor. K. G. Harvey is President of the bank.

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Frederick L. Deming was elected Vice-President of the **Federal Reserve Bank of St. Louis** by the Directors of the bank, effective Jan. 1. He succeeds Olin M. Attebery, who retired from the bank as of Dec. 31.

The new First Vice-President joined the staff of the Federal Reserve Bank in August, 1941, and has served successively as Assistant Manager and Manager of the Research Department, Assistant Vice-President and Vice-President. Mr. Attebery began his banking career in 1904 with the American Exchange Bank in St. Louis. He had been with the Federal Reserve Bank of St. Louis since 1914, joining the bank's staff before the institution was officially open for business. He had been First Vice-President since January, 1951.

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The Board of Governors of the Federal Reserve System announced on Jan. 2, the following appointments of Federal Reserve Bank Branch directors: Henry Banks of Clarkedale, Ark., was appointed a director of the **Memphis Branch** of the **Federal Reserve Bank of St. Louis** for the three-year term beginning Jan. 1. Mr. Banks succeeds Hugh M. Brinkley, whose term expired.

Phil H. Lowery of Loco, Okla., was appointed a director of the **Oklahoma City Branch** of the **Federal Reserve Bank of Kansas City** for the two-year term beginning Jan. 1. He succeeds Mr. Rufus J. Green, whose term expired.

* * *

The First National Bank of Greenville, S. C., announced on Jan. 8: the election of three new members to its Board of Directors, viz: Charles A. Gibson, President, F. W. Poe Manufacturing Company; President, Calhoun Mills, and Director, Ely & Walker; Herman N. Hipp, Vice-President, Liberty Life Insurance Co.; President, The Surety Life Insurance Co., and Vice-President, The Broadcasting Co. of South Carolina; and W. Gordon McCabe, Vice-President, J. P. Stevens & Co., Inc., member, New York Cotton Exchange and member, New Orleans Cotton Exchange. W. W. McEachern is President of the bank.

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H. D. Ivey, President of **Citizens National Trust & Savings Bank of Los Angeles,** celebrated his 50th anniversary with the bank on Jan. 2, 1953. It was on Jan. 2, 1903 that he joined Citizens National as a messenger. Born on his father's ranch, near San Antonio, Texas, he went to Los Angeles while still in his 'teens. Moving up through the ranks in the bank, in 1911 he was elected to the position of Assistant Cashier. He became

Cashier in 1918, Vice-President and Cashier in 1923, and later in the same year was named a director of the bank. On July 12, 1929, Mr. Ivey was elected President of Citizens National, thus becoming one of the nation's youngest chief executives of a major bank. He was one of the charter members of the American Institute of Banking, and was one of the organizers and first Chairman of the Advisory Committee of the Los Angeles Clearing House.

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The Directors of the **Midland Bank Limited of London, Eng.,** announce that, in consequence of advancing years, Sir William Dugdale, Bt., J.P., D.L., has resigned from the Boards of the Bank and of the Midland Bank Executor and Trustee Company Limited.

Victor Lea Joins Paine, Webber Co.

Victor L. Lea has been appointed Manager of the Commodity Department of Paine, Webber, Jackson & Curtis, 25 Broad Street, New York City, members of the New York Stock Exchange, it was announced by Lloyd W. Mason, Managing Partner of the coast to coast brokerage firm. Prior to coming with Paine, Webber, Jackson & Curtis, Mr. Lea was Manager of the Commodity Department of Walston, Hoffman & Goodwin.

Victor Lea

Mr. Lea will make his headquarters in the New York office of Paine, Webber, Jackson & Curtis, but will be charged with supervision of commodity activities in all of the firm's 37 offices, Mr. Mason said.

"We are members of all of the principal commodity futures exchanges and our business has been steadily growing," Mr. Mason said. "The association of Mr. Lea with our firm will enable us to expand our service to clients particularly in the area of information and price analysis. Mr. Lea will also be available to work with trade clients in the development of hedging programs."

Mr. Lea joined the commodity department of Fenner & Beane in 1928 and later became commodity department manager. During World War II he was given a leave of absence to serve as chief of price section of the fats and oils division of the OPA. From 1946 until 1949 he was economist and manager of the commodity research department of Standard Brands. For the next several years he operated his own commodity research firm, Victor L. Lea & Co. In 1951 he joined Walston, Hoffman & Goodwin as manager of their commodity department.

Mr. Lea organized the first course in commodities for the New York Stock Exchange Institute more than 20 years ago. He has taught the course in commodity trading principles and price analysis for the old Stock Exchange Institute and its successor, the New York Institute of Finance, ever since. As manager of Paine, Webber, Jackson & Curtis' commodity department, he will continue his course in commodity price analysis for the Institute.

With Eisele, King

(Special to THE FINANCIAL CHRONICLE)

NEW HAVEN, Conn. — Edwin A. Harris has been added to the staff of Eisele & King, Libaire, Stout & Co., 177 Church Street.

Bankers Underwrite Sinclair Oil Debs.

Sinclair Oil Corp. is offering to its common stockholders the right to subscribe, at 100%, for \$101,758,900 principal amount of 3¼% convertible subordinated debentures due Jan. 15, 1983 on the basis of \$100 principal amount of debentures for each 12 shares held of record on Jan. 9, 1953. The subscription offer expires at 3:30 p.m. (EST) on Jan. 26, 1953. The offering is being underwritten by a group headed jointly by Smith, Barney & Co. and Merrill Lynch, Pierce, Fenner & Beane.

Net proceeds from the sale of the debentures will be added to the general funds of Sinclair Oil Corp. which funds will be available for capital expenditures and other corporate purposes. Of such general funds, \$40,000,000 will be applied to retire a like amount of bank loans incurred by the company on Oct. 10, 1952 to reimburse it for some of the captital expenditures already made.

Capital expenditures, estimated at approximately \$180,000,000 during 1952, and which may reach the same total in 1953, will continue to be directed largely to increasing crude oil production and reserves, lowering transportation costs through new and more efficient pipe lines and tankers of greater capacity, increasing refinery efficiency and expanding marketing operations. Capital expenditures during the five years and nine months ended Sept. 30, 1952 aggregated approximately \$610,355,000; during this period Sinclair sales increased from \$377,012,000 in the full year 1946 to \$808,982,000 in the full year 1951, and to \$617,894,000 in the nine months ended Sept. 30, 1952. Net income increased from \$30,390,000 in 1946 to \$81,898,000 in 1951, and to \$64,085,000 in the nine months ended Sept. 30, 1952.

The debentures are convertible into common stock at \$44 per share on or before Jan. 15, 1958 and at higher prices thereafter.

The debentures will have the benefit of a sinking fund designed to redeem approximately 60% of the issue by maturity. Under the terms of the sinking fund, the company will make annual sinking fund payments prior to July 15 during the years 1963-1982, inclusive. The indenture under which the subordinated debentures are being issued contains no restriction or limitations of any kind on future dividend action by the company.

Hill Richards Co. Installs New York Wire

SAN FRANCISCO, Calif.—Hill Richards & Co., investment firm with nine California offices, has installed a direct private wire linking its San Francisco office, 155 Montgomery Street, with the New York Stock Exchange member firm of Bonner & Gregory in New York City.

The local firm's offices, running along the coast from San Diego and La Jolla to Oakland and San Francisco, are interconnected by a wire network, and the East-West wire will now mean that all branch offices will have the benefit of instant communication with the nation's financial center.

Hill Richards & Co. are members of the San Francisco and Los Angeles Stock Exchange.

Reserve Mining Co. Arranges $148 Million Private Financing

Reserve Mining Co. has drawn down the first instalment amounting to $40,000,000, of the loan which the company obtained last week from nine leading institutional investors through the sale of $148,000,000 first mortgage 4¼% bonds due June 1, 1980. Glore, Forgan & Co. and Smith, Barney & Co. acted as agents for the company in the placement of the bonds.

Sale of the bonds was effected under a standby arrangement by which the company will draw down the money as needed for its big construction project at Babbitt and Beaver Bay, Minn.

The company is building a modern plant and other facilities for development and processing of its extensive deposits of taconite, a hard iron-bearing rock, at the eastern end of the Mesabi Range in Minnesota. The sale of the bonds marked the first outside financing. Its junior securities are jointly owned by Republic Steel Corp. and Armco Steel Corp.

The Menace of the Index Number Standard

By PAUL EINZIG

Dr. Einzig, noting that Britain and other countries appear to be on way of adoption of an index number in place of a gold standard, calls attention to the index number standard's tendency to accentuate and accelerate the vicious inflationary spiral, when widely applied in fixing wage agreements and other term contracts. Holds index number standard does not ensure smooth adjustment of earnings to currency depreciation.

LONDON, Eng. — Although all countries (including the United States) has suspended the gold standard, in the generally accepted sense of this term, in reality any country whose currency is stabilized in relation to gold and the dollar may be considered as being on the gold standard. As its name implies, the gold standard is the system under which gold is the standard of value. So long as inconvertible currencies bear fixed relation to a given weight of gold they are in this sense on the gold standard even though they are inconvertible. For the value of everything is measured indirectly in terms of gold of a certain weight and fineness. Payment is not made in gold or even in notes convertible into gold, but prices are expressed in the currency equivalent of gold and liabilities are contracted in a currency the value of which is assumed to remain the same in terms of gold at the time when the liabilities fall due. It is only currencies which are not maintained in stable relations against gold but are allowed to fluctuate that may be said to have abandoned the gold standard. Narrow fluctuations—such as those of sterling between $2.78 and $2.82 constitute the degree of tolerance which had existed even under the gold standard in the generally accepted sense of the term.

Dr. Paul Einzig

There is, however, a tendency toward departure from the gold standard (in the sense of the term in which it is used in this article) by all countries and currencies of which are at present maintained in stable relations to gold. The increasing adoption of the system under which wages, salaries and to a much less extent other obligations are based on the cost of living index or some other form of sliding scale, points toward the abandonment of gold as a standard of value. Even in countries on a full gold standard with convertible notes and with gold coins in circulation the adoption of the cost of living index or some other index as a basis of contacts could conceivably reach an extent at which the role of gold would be reduced largely to that of a medium of exchange while the index would become the principal standard of value. If and when such stage should be reached it would be correct to say that the countries concerned are not on a gold standard but on an index standard.

Britain among other countries appears to be well on her way toward the adoption of such a standard. A large and increasing number of wages agreements are based on the cost of living index. A rise in the cost of living automatically entails under such agreements a corresponding increase of the payments made under the agreements. It is true the operation of the system is at present confined almost entirely to the sphere of wages agreements. The inclusion of a cost of living clause or some other sliding scale in other agreements remains exceptional. Nor is the system by any means in universal use in the sphere of wages. But the trend points toward its extended use. This is a not unnatural consequence of the persistent rising trend of prices. Wage earners and others have become by now thoroughly conscious of the rise and are doing their best to hedge against the depreciation of the purchasing power of their earnings.

In his recently published book entitled "In Place of Fear" Mr. Aneurin Bevan comes out in favor of basing the value of savings on a cost of living index basis in order to maintain their purchasing power in spite of the persistent depreciation of the currency. Like other Socialist leaders, he advocates economic and social policies the inevitable effect of which is a continuous rise in the cost of living. He imagines that the adoption of the cost of living index standard would make it possible to have inflation without tears. Realizing that Socialism is inherently inflationary, and that any attempt at checking the inflation would necessarily mean moderation or even reversal of Socialist policies, he puts forward the formula under which he thinks it possible to eat his cake and keep it.

It may be possible to harbor such illusions in countries which have no experience in advanced inflation. In less fortunate countries it is realized that the protection provided against the effects of currency depreciation through the application of sliding scale systems is far from adequate. During the postwar inflation in Hungary, for instance, a stage was reached when wages were adapted daily to the rise in the cost of food, the standard being the current cost of food representing a certain number of calories. Such was the pace at which the currency was depreciating that by the time the wage earners were in a position to spend their earnings their purchasing power underwent a further depreciation.

The index standard has the inevitable effect of accentuating and accelerating the operation of the inflationary vicious spiral. So long as its sphere of operation is limited its adverse effect is confined to those whose earnings are not based on the sliding scale system. Should, however, a stage be reached at which the system is carried to its logical conclusion and all wages, salaries, pensions, rents, and deferred payments of every kind are based on a sliding scale, the entire community would soon discover its grave disadvantages. It is liable to paralyze enterprise to a large degree to be unable to foresee the amount of its liabilities at the time of their maturity. So long as the rise in prices is comparatively moderate the system would be tolerable. Should the rise become accelerated, however, the application of the system would introduce a very high degree of uncertainty.

Moreover, the extensive application of the sliding scale system is liable to defeat the constructive object of inflation and deprive it of the main justification it is claimed to have. Under the old system inflation enables the governments to force the community to reduce current consumption in order to employ productive capacity for capital investment or for national defense. This end can be achieved by means of inflation because of the curtailment of consumption resulting from the decline of real earnings through a rise in prices. The moment that the decline of real earnings is prevented through the operation of the index standard there can be no forced saving and no productive capacity can become released for capital investment or munition production. The "veil of money" which conceals forced saving is removed if earnings adjust themselves automatically to the cost of living. In that case inflation ceases to be instrumental to diversion of productive capacity from current to capital requirements.

Professor Schumpeter compared the situation, created by the index standard, with the habit of many people to put their watches forward in order to insure that they are on time for their engagements. As soon as they become fully conscious that their watch is always 10 minutes fast it ceases to make any difference to them. Likewise, as soon as the public becomes conscious that money is depreciating and adjusts all commitments accordingly the depreciation ceases to result in forced saving. To the extent to which the system would operate without a flaw it would destroy the main redeeming feature of inflation. To the extent to which it is unable to insure as smooth adjustment of earnings to the depreciation of money it tends to accentuate the degree of hardship caused by inflation.

Securities Salesman's Corner

By JOHN DUTTON

Building an Investment Clientele

(Article 3—Part 2)

"Cultivate Investors Who Will Follow Sound Investment Rules"

Last week we described two classes of security buyers. The first group were the out and out speculators who were not temperamentally suited to adopting any planned program of investments. The second group were people who made up their own portfolios, according to their own ideas. Those we placed in group two and decided that although it was possible to do business with them, following a planned program was also not feasible, and our efforts should not be directed toward this objective as far as they were concerned. Today we shall deal with the type of people in Group 3.

Group 3
The Real Investor

There have been many attempts to define an investor as well as what constitutes an investment. I will only try and describe him (or her) to you.

Retired People

You will find many retired and older people in this group. They have certain distinguishing characteristics. Often they are well educated and have specialized with success in a certain field of endeavor. Most often they are people that have learned to save and they have carved out their lives the hard way. Experience has mellowed them. They know what the "downs" are like as well as the "ups." They are open-minded and will listen to your story. But they also have a keen insight into the other fellow's makeup. If you know your business they will know it—if you don't you won't get very far trying to help them plan an investment program.

Mr. & Mrs.

In this group you will often find husbands and wives who have shared their labors and their savings. They both take an interest in their investments. Often you can sit down with them both and work out a joint solution to their investment planning and problems. The best accounts are often "joint accounts." Where there is friction in a home it is most unlikely that there is much "planning" of any kind.

Women Investors

Women who have lost their husbands, and who are alone in the world, are very often very much in need of reliable investment guidance. However, they are often skeptical and you must be patient with them. Once they have placed their confidence in you they can become centers of influence for new business. Women are more careful than men, and they are often better money managers than men. Treat such accounts as if they were your own mother's, and you will see results that will repay you for all the time and patience you have expended on their account.

Professional Men

Contrary to the old adage that the average Doctor is a poor businessman, I think if you will look around you today you will find many instances to the contrary. Possibly one of the reasons that the old "country Doctor" of the past used to die broke was that he never made enough money to properly compensate him for his labors. Today Doctors are better recompensed and they are seeking competent guidance and help regarding their investments. Their business is difficult to secure because they are so pressed for time. If you specialize in seeing them after hours, away from their office and the telephone, and you make it important, there is a good volume of investment business waiting for you.

Small Businessmen

In the small towns, in the suburbs of every city, there are men and women who run businesses that are making money. These people are too busy to give much time to watching the stock market. They are not visited every day by some other security salesman. They desire a safe and sensible plan that will build up their reserves for retirement, or for their business. They want to invest, not speculate. They have enough of speculation in their own business. They have the time to spend with you if you will make an appointment with them and go about your job in the right way. After you have their account, and you know what they need in the way of income, safety of principal, or capital gains, you are more or less in the same position as their accountant or lawyer. These people make excellent investment accounts.

Next week we will discuss specific methods of seeking out these investors, who, in turn, may also be looking for someone like you.

Freeman Grant V.-P. Of Byrne & Phelps

Byrne and Phelps, Inc., 44 Wall Street, New York City, Municipal Bond House, announce that Freeman G. Grant has become associated with the firm and has been elected a Vice-President. Mr. Grant, formerly of Dolphin & Co., Philadelphia, was one of the founding partners of that firm.

Freeman G. Grant

H. A. Riecke & Co. Announces Expansion

PHILADELPHIA, Pa. — H. A. Riecke & Co., Inc., investment securities, announces the most extensive expansion of personnel in the firm's history.

John E. Parker, President and General Manager, said George I. Brest has been appointed district manager and the following have joined the firm's sales staff: David Dattner, Warren L. Fogg Walter W. Hongler, Reuben F. Nevling, Charles E. Rust, John H. May and John W. Werrett.

Other new members of the staff include Charles R. Suter, statistician, and Isabel Nuskey.

Mr. Parker also announced that the firm has opened its new and expanded offices at 1519 Walnut Street, Philadelphia. The new offices, on the ground floor of the building, provide the company with about 300% more floor space, thus enabling it to greatly augment trading, statistical and other facilities. An outstanding feature of the new air-conditioned Riecke headquarters, according to Mr. Parker, is an extensive ground-floor window area that will permit the company to display the products and explain the operations of the nation's most important industries.

Closed-End Investment Firm Offers Stock

General Public Service Corp., an investment company of the closed-end type, is offering the holders of its common stock of record Jan. 9, 1953 rights to subscribe for 1,101,451 shares of common stock at $3.75 per share at the rate of one share for each two shares held. The corporation is also offering the privilege of subscribing for additional shares, subject to allotment, out of any shares not subscribed for under the exercise of rights. The subscription offer will expire at 3:30 p.m., Jan. 23, 1953.

The offering is not being underwritten. Stone & Webster Securities Corp. heads an investment group which had agreed to act as dealer managers and to assist the corporation in the dissemination of information about the subscription offer among representative securities dealers throughout the country.

Proceeds from subscriptions for the shares will be used by the corporation to add further investments to its portfolio as and when authorized by its board of directors.

General Public Service Corp. was incorporated in December, 1925, and has carried on business as an investment company since its inception. For the past several years the corporation has maintained a fully invested position, principally in common stock of the utility, natural gas and oil industries. However, it has no fixed policy with respect to concentrating its investments in any particular industry or group of industries. The corporation may at any time substitute cash or cash items, or bonds, or preferred stocks, for all or part of the investment in common stocks.

Total assets of the corporation at market value on Nov. 30, 1952 amounted to $13,742,689. Net realized profit on sales of securities on that date amounted to $662,817 and net increase in unrealized appreciation of securities was $789,876.

J. Barth to Admit Bernstein & Simon

SAN FRANCISCO, Calif. — J. Barth & Co., 404 Montgomery Street, members of the New York and San Francisco Stock Exchanges, will admit Ernest M. Bernstein and Frederick D. Simon to partnership on Feb. 1. Both have been with the firm for some years.

FIDC Bks. Place Debs.

A successful offering of $83,440,000 2⅜% consolidated debentures dated Jan. 2, 1953 and due Oct. 1, 1953 of Federal Intermediate Credit Banks was made Dec. 18 at par through Macdonald G. Newcomb, New York fiscal agent for the banks. The proceeds, together with other funds, were used to retire $107,095,000 maturing debentures.

On Nov. 18, another successful offering was made of $72,445,000 2.25% consolidated debentures dated Dec. 1, 1952 and due Sept. 1, 1953 at par. The proceeds from this offering, together with other funds, were used to retire $111,245,000 debentures which matured Dec. 1, 1952.

As of the close of business on Jan. 2, 1953, the total amount of debentures outstanding amounted to $703,730,000.

Eldredge, Tallman Adds

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill. — Hartley E. Rardin is now connected with Eldredge, Tallman & Co., 231 South La Salle Street.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

The government market seems to be on the backing and filling course again, with investors evidently not inclined to put funds to work unless they can get securities at prices they consider attractive, which in many instances is near the lower reaches of the trading range. The short end of the list has also been a bit on the reactionary side, although it had been expected that the demand for these obligations would be sizable enough to give them a more constructive tone. The pressure which the monetary authorities are keeping on the money markets, however, has evidently had an effect upon even the shortest maturities. Nonetheless, with some ease still looked for in money conditions, because of seasonal factors, somewhat better temporary action is expected in the government market as a whole.

The longer-term end of the list as well as the intermediates have been bouncing all over the lot again, with certain of these obligations, particularly the most distant ones, seemingly pretty well discounting a longer-term higher coupon Treasury obligation. State funds continue to be one of the main sources of buying in the restricted obligations, with minor support coming from private trust accounts.

No Change Expected During Coming Months

Despite all the talk to the contrary, some of the best informed and more shrewd followers of the money markets are not looking for any really important changes in the debt management policy during the first half of 1953. They point out that because of the many things that must be taken into consideration, and the consequences of what might take place with an abrupt change in debt management, there is not likely to be any radical departures from existing policy unless economic or other conditions force such an alteration more rapidly than is looked for now. Accordingly, there appears to be developing a better appreciation of the problems facing the money markets, through a change in debt management, than was formerly the case.

Apparently, the current focal point in the debt management discussions in the financial district is whether or not there is likely to be an offering of long-term Treasury bonds in the not too distant future. To be sure, there still is considerable talk about a 30-year 3% government bond being offered. This even got to the point where not only was a 3⅛% obligation looked for in some quarters, but even a 3¼% issue was considered likely by those that are of the opinion that long-term Treasury financing is something to be expected in early 1953.

No doubt the change in Administration has been responsible for these opinions about the long government bond financing and with time there will undoubtedly be alteration in debt management policy. However, there are so many conditioning factors to be taken into consideration, such as the international situation and economic conditions, that changes in debt policy are quite likely to be much slower and more deliberate than had been expected not so long ago.

Impact of Long 3% Issue on Money Markets

As to when there will be an issue of long-term government bonds seems to be purely a matter of conjecture. However, it appears as though the belief is now spreading that during the first half of 1953 there is not likely to be any offerings of long-term Treasury obligations. A 30-year 3% obligation, it is believed in most quarters, is quite likely to be the issue that would be used by the Treasury when, as and if conditions are right for such an offering.

However, it is being noted that a long-term 3% government obligation would have considerable of an impact upon the money markets as a whole, and there would have to be many adjustments made in order to bring matters as a whole in line with such a development. What would be the attitude of holders of savings bonds, the demand obligations, which can be turned into cash at any time, and particularly those whose holdings mature in 1953? Would the owners of the demand obligations be content to hold them with the Treasury offering a 30-year 3% marketable bond? What about the savings banks and the purchases of mortgages especially those of the Veterans Administration? Would not a 30-year 3% government bond have an effect upon the savings of the people as a whole, which have been piling them up in the savings banks? Then again, what would happen to the corporate bond market if the Treasury were to offer a 30-year 3% marketable obligation? The average yield at which the best corporate bonds are currently selling indicates that considerable of an adjustment would have to take place in order to bring them in line with a 30-year long-term government 3% issue. Therefore, the conclusion that is being drawn by many money market followers is that a change in debt policy is not imminent, unless the unforeseen comes along and forces a new course of action.

Institutional investors, according to advices, continue to sell corporate bonds with the proceeds going into the highest yielding Treasuries.

LETTERS TO THE EDITOR:

Sterling and the Dollar

Frederick Shull, Gold Standard League official, commenting on recent article, "Will Sterling Damage the Dollar?" by Franz Pick, maintains "Sterling" is a problem for Britain alone to solve; and calls highly dishonest the proposal to mark up the price of gold. Mr. Pick in rejoinder asserts we are faced with the alternatives of either trying a socially disastrous deflation which would cure us, or increasing gold price to perform the operation with "economic anesthetics."

Editor, Commercial and Financial Chronicle:

The article by Mr. Franz Pick, "Will Sterling Damage the Dollar?" in your issue of Jan. 1, 1953, should awaken our people to a

Frederick G. Shull **Franz Pick**

realization that "honesty" in the handling of the American dollar is again being threatened by the possibility of a repetition of the "dishonesty" to which it was subjected in 1933-34.

Particular portions of Mr. Pick's article on which I should like to comment appear under the subheadings, "Convertibility Prospects" and "The Gold Price." Under the former, Mr. Pick says: "The outlook for Sterling convertibility is, to my personal knowledge, rather dim at the present time." And he expressed fear that without our support of the pound sterling "Britain's foreign exchange and gold reserves will disappear and the sterling might drop to $2—or even less." But what happens to "sterling" is a problem for Britain to solve —just as our problem is to look after the welfare of the American dollar.

Mr. Pick says: "The outgoing Administration (U. S.) made the formal promise not to change the official gold price. The promise was held. Dollar depreciation paid for it, the easy way." Just what Mr. Pick means by that is not entirely clear; but one of the surest ways to promote "dollar depreciation" would be to raise the official price of gold, and thereby automatically reduce the "value" of the dollar.

The following statement by Mr. Pick is, indeed, astounding, and should cause all interested in an "honest" dollar to wake up: "According to information from reliable sources we will have to increase one day the official gold price of $35 an ounce, to $52.50." What "reliable sources" can possibly be making such a fantastic claim? Are not all "reliable sources" of monetary information aware that the "official price" of gold was held firmly by our government at $20.67 an ounce from 1837 until 1933; and that Britain, likewise, held the pound sterling at 113 grains of fine gold from 1821 until 1914? And would those "reliable sources" undertake to say that such "honest" money was not a great factor in the economic success of those two nations and of the world, throughout those more than 100 years?

To say that the U. S. Treasury would make a "paper profit" of $11 billion by marking up gold to $52.50 an ounce is overlooking the fact that such a move would be highly "dishonest"; and it fails to depict that it would rob our people of billions of dollars of the "real value" of their accumulated savings. For example, the people own upward of $500 billion of savings in the form of government bonds, bank deposits and life insurance benefits already paid for. Raising the "official price" of gold to $52.50 would mean a 33⅓% "devaluation" of the dollar—robbing the people of about $160 billion of the "real value" of their accumulated savings.

Let us hope that the "new" Administration will have the courage and forthrightness to support at least this much of the "outgoing Administration's" policy, namely, its "formal promise not to change the official gold price."

FREDERICK G. SHULL
Connecticut State Chairman
Gold Standard League

2009 Chapel Street,
New Haven 15, Conn.
Jan. 3, 1953.

* * *

Reply by Mr. Pick

Editor, Commercial and Financial Chronicle:

Thank you for giving me the opportunity to answer Mr. F. G. Shull's letter.

Unfortunately, I cannot agree with Mr. Shull's idea that Britain should be left alone to solve her sterling problem. The Commonwealth accounts for about 30% of the world's foreign trade. If forced to a lower sterling rate, we would have to suffer commercially and financially. And Mr. Shull might well remember that the pound had to be devalued in September, 1931. Only 18 months later, we had to "suspend" gold convertibility of the dollar.

Dollar stability lasted only five years, from 1934 to 1939. Since then, the increase in the "cost-of-living" depreciated the purchasing power of our currency by 48% to date. During this period of inflation, in full knowledge of the fact, we depreciated the holdings of people who bought government and private bonds, who had life insurance and annuities and who had money in the bank.

As nobody protested, no ethical issue was created.

"Honest money," as Mr. Shull calls it, ceased to exist in 1914. Since then, the cost of World War I and the cost of social progress which resulted from it, had to be paid for by currency depreciation. World War I could not be considered paid for until 1934, 16 years after the Armistice. World War II has only been partially paid for as of this writing. 92% of the world's population have seen their savings nearly annihilated by inflation during the last 14 years. And, just as the Anglo-Saxon nations resisted longer than all other countries after World War I, they did so again until now. But, the historic laws of currency gravity cannot be eliminated by wishful thinking. Whether we like it or not, we have to complete payment for World War II, which cost us about $1 trillion and the remaining part of the world about $800 billion

We have the choice to either practice radical deflation, which will cure us, or increase the price of gold in order to perform the operation with economic anesthetics.

There is, to my thinking at least, no other way out besides the solution of trying a socially disastrous deflation which, finally, will again bring about devaluation and increase the gold price when it is too late.

For more than 6,000 years no government has been able to master currency and gold. The citizens have always had to pay for this lack of governmental skill and I am afraid that they will have to continue to do so.

FRANZ PICK

75 West Street,
New York 6, N. Y.
Jan. 9, 1953.

Bank and Insurance Stocks

By H. E. JOHNSON

This Week — Insurance Stocks

Insurance stocks turned in a sparkling market performance for 1952. The general trend of both fire and casualty shares was upward for practically the entire period and most stocks at the year-end were considerably higher than at the beginning.

Some issues produced substantial gains in market appreciation. In several instances this was attributable to special factors such as mergers, increased cash dividends or stock distributions. The primary motivating factor, however, was the improvement in general underwriting operations. Also, increased premium volume and retained earnings produced a greater amount of investment funds so that with dividend distributions on equity holdings well maintained and interest rates higher, investment results were quite satisfactory.

Pension funds, institutional investors and other large groups were important factors in the market in 1952. Inasmuch as insurance stocks have long been known for their investment character, these different funds were large buyers of the shares and undoubtedly accounted for part of the rise in the various stocks.

In the table below the market prices of 25 major casualty and fire insurance companies at the beginning and end of 1952 and the price range for the year together with the change during the period are shown. Prices have been adjusted where stock dividends or stock splits have been made in the past year.

	1952 Market Jan. 2	Bid Price Dec. 31	Point Change	1952 Price Range High	Low
Aetna Fire	54½	64¾	+10¼	65	51½
Agricultural Insurance	67½	91½	+24	91½	67½
American Insurance	22	26¼	+ 4¼	27⅞	22
American Surety	51½	59½	+ 8	60¾	47¾
Boston Insurance	31⅜	38½	+ 7⅛	38¾	31⅜
Continental Casualty	47¾	82½	+34¾	83	47¾
Continental Insurance	72¼	79½	+ 7¼	81½	68⅝
Federal Insurance	87	100	+13	100	87
Fidelity-Phenix	70	83¼	+13¼	83½	68⅜
Fire Association of Phila.	56¼	71¾	+15½	74	55½
Fireman's Fund	55¾	60½	+ 4¾	61½	51¾
Firemen's (Newark)	23	27¾	+ 4¾	28	22⅞
Glens Falls Insurance	53	60¼	+ 7¼	62	53
Great American	34	41½	+ 7½	42	33
Hanover Fire	32½	42	+ 9½	43¾	32
Hartford Fire	132	170	+38	173	131
Home Insurance	35¼	42½	+ 7¼	43¼	34⅜
Insurance Co. of No. America	70	92¼	+22¼	92¼	70
New Hampshire	38¾	47½	+ 8¾	48¼	39¾
Phoenix Insurance	84½	103	+18½	104	81
St. Paul Fire & Marine	32	34¼	+ 2¼	35	30½
Security Insurance	31¼	39¼	+ 8	40¼	31¼
Springfield Fire & Marine	44	52¼	+ 8¼	54¼	44
United States Fire	41¼	47	+ 5¾	47	38
Westchester Fire	21¼	26	+ 4¾	26	21¼

For the insurance stocks as a whole, the gains made were one of the best of any major industrial, utility or railroad group.

For example, "Barron's" insurance group average started 1952 at 146.30. This group reached a high for the year on Dec. 31, 1952 when it was 186.81. This was a gain for the average of 27.7%.

On the other hand, the Dow-Jones Average of Industrial Stocks on Jan. 2, 1952 was 270.38. Up until the election the group made little progress and in fact on Nov. 3 was 270.23. The subsequent rally in the market carried the averages to 291.90 on Dec. 31, 1952 which was the high for the year. The gain for the period in terms of the Dow-Jones Industrials was thus 21.67 points or 8.0%.

While this action of insurance stocks is very encouraging, most individuals do not own or hold the averages. For this reason the problem of selection of the stocks which are in the most favorable position at any particular time is of vital importance. Of course there is a certain amount of luck in holding an issue which happens to participate in some favorable development. However, an intelligent and successful investment program should consider the probable trends and be in a position to take advantage of them as they develop. This is true of both industry selections and individual stocks within each group.

Merrill Lynch Adds

(Special to THE FINANCIAL CHRONICLE)

SAVANNAH, Ga. — Joseph G. Hollingsworth is now connected with Merrill Lynch, Pierce, Fenner & Beane, 7 Drayton Street.

With Military Inv. Service

(Special to THE FINANCIAL CHRONICLE)

FT. GAINES, Ga. — Norman G. Kraack is connected with Military Investment Service, 111 Bluff Street.

Continued from page 11

Banking and the Security Markets

is 2½%, or about half a point under the bank's prime commercial rate.

There have been times, however, when the call money rates has far exceeded the rate for money that is put into the commercial loan portfolio of banks. It is not at all inconceivable that in a tight money market the call loan rate would cross prime commercial rate of banks and be more expensive money even on a day-to-day basis than 90 days or six months money to business. This happened in 1929 and has happened before.

As to dealers' loans, there are two schools of thought. One holds that a lower rate should be accorded to a borrower who puts up the safer and more marketable securities. Accordingly, banks that hold this theory will charge 2½% on loans secured by stocks or corporate bonds, etc., while charging a fluctuating rate between 1½ and 2⅜% on loans secured by governments. This is a perfectly valid theory.

Another school of thought is that rate of interest should vary according to the purpose and term of the loan. In other words, if the dealer requires money to clear his securities, pick them up downtown, package and deliver them uptown, he should be accorded the lowest possible rate. Holding to this philosophy, if a dealer has to pick up securities from the issuer, package them, get the numbers down, examine the bonds and generally get them ready for delivery, the loan is going to be on only for a few days and should be accorded a lower rate than the dealer who says, "I'm going to take these bonds into my inventory and please put the loan on the back of the stove." Banks holding to this latter theory generally will charge 2% on what is called a short-term carry, whether the collateral is government bonds or stocks. For the most part, these loans will run or are permitted to run for a week or ten days, and on some arbitrage loans of this character where the arbitrage is to be completed within a reasonable time, the loan might run for a month.

Carrying this still further, the dealer who is going to inventory a new issue or carry it until the market for it comes back, add to his investment portfolio, and carry securities on a bank's money, should pay full 2½%, or call loan rate.

Most of the banks in New York subscribe to the first philosophy; a minority subscribe to the last. However, in volume they run pretty close together.

Syndicate Loans

Loans that account perhaps for the largest volume of any category are what is known as syndicate loans. This is a loan that is made not to one dealer alone, but to a whole syndicate of dealers who have allied themselves by agreement to purchase and distribute new issues or already outstanding issues to new owners.

The loans are made either jointly or severally. In the first instance every dealer is responsible for the loan jointly with the others, and in the second, each dealer is responsible only for his proportion of the loan. Syndicate loans as such usually do not run for any great length of time. When all of the securities are not sold at the expiration of the syndicate agreement, the loan is paid off and each underwriter takes down his proportion of the unsold securities for his own account, thereupon making arrangements for carrying them individually rather than allied with other dealers.

Financing the Government Bond Dealer

This brings us to a third and sometimes very large field in dealer loans, the financing of the government bond dealer fraternity. Their inventory positions from time to time are extensive, and many of the downtown banks, being large owners of government securities, feel a responsibility to the government bond market and wish to see the government dealers well financed. Margins are lower to the government bond dealers, ranging from the discount on Treasury bills to two or sometimes three points on long-term government bonds. Rates are low, and have varied from ¼ of a point below the rediscount rate, to ½ above the rediscount rate, depending on the money positions of the banks that finance this market. Some banks maintain a low rate through temporary tight money situations, and raise this rate only when the whole structure of rates is rising. Other banks using a rate that fluctuates from day to day, invite government bond loans by lowering their day-to-day rate, or encourage pay-offs by raising their rate.

In tight money markets, banks may borrow at the Federal Reserve Bank to lend the government bond dealers at a fraction of a point over the rate that they pay at Federal Reserve Bank. The volume of these loans changes from day to day as the dealers' attitude toward the government bond market changes. It may be very high, and has been over $2 billion within the last five or six years; on the other hand, this year the volume of loans to dealers on government bonds has been at times under $150 million in the New York market.

The mechanics of lending dealers either on governments or other securities is substantially the same as lending to brokers. Both borrow under the continuing loan agreement with the banks. For the most part, dealer loans are exempt from the regulations by reason of being made on securities exempt from the regulations of the Federal Reserve Board, or on securities not being distributed through the medium of an exchange, which are specifically expected from the same regulation.

Wm. A. Ware Joins Eppler, Guerin Firm

DALLAS, Texas — Appointment of William A. Ware as an associate of the Dallas Investment firm of Eppler, Guerin and Turner, Fidelity Union Life Building, has been announced by Dean P. Guerin, Vice-President.

Mr. Ware has been aviation manager of the Dallas Chamber of Commerce for the last several years. In this capacity, he helped plan the enlargement and improvement of Love Field and other Dallas aviation facilities.

H. J. Williamson Opens

(Special to THE FINANCIAL CHRONICLE)

FT. PIERCE, Fla. — Hybert J. Williamson is engaging in a securities business from offices at 100 South Indian River Drive.

Canadian Securities

By WILLIAM J. McKAY

As might be expected, Canada's boom during the past year has been marked by a high level of activity on the leading Canadian securities exchanges. Prices have not, however, followed a uniform trend, but figures show that the volume of trading in 1952 was one of the largest on record. The price index of Canadian shares, despite this activity, shows no advance over the level of Dec. 31, 1951.

Industrial stocks lost ground, and oils broke about even on the year inspite of sharp third quarter declines and a feeling among many observers that some Northwestern oil company shares were over-priced. Gold mining stocks closed almost unchanged in spite of hopes for an increase lower prices for various base-metals upset predictions of January, 1952, by declining during the year. The loss was a reaction to lower prices for various base metals. Mining companies in general, however, distributed record dividends during the year.

The aggregate value of listings on the Toronto Exchange the leading Canadian securities mart, rose from about $12 billion in 1951 to about $19 billion in 1952. Value of trading increased from $1 billion to about $1.3 billion. Some 30 million more shares were traded in 1952 than in 1951 to be more exact, 590 million shares compared with 560 million shares the previous year.

The highest prices on the Canadian exchanges were established in the early months of the year. The Northwestern oil shares started the year with a substantial upswing, a result of new oil discoveries in that region. Base-metals followed the trend, but industrials and gold mining shares slid lower.

As an index of the high volume of trading, it should be remembered that about this time last year, the Toronto Exchange was running ahead of the New York Stock Exchange. Back in February, however, dips on the New York market were followed obediently by industrials, base-metals and western oils in Canada. Thereafter Toronto trading frequently exceeded that of the New York Stock Exchanges. The two centres started to draw together when a downward movement set in at the end of August.

For two months the Toronto stock price indexes dipped, striking several new lows for the year. Brief recoveries were made after the slump and there was an upturn toward the end of December, especially in oils. But all sections failed to reach pre-September price heights.

The high level of activity on the Canadian securities exchanges had its impact on trading in Canadian shares in the United States. Edward T. McCormick, President of American Stock Exchange, has pointed out that 12 of 44 new stock issues approved for listing in 1951 on his Exchange were Canadian. The 1951 stock approvals represented 34.7 million of a total of 60 million shares for the 44 new listings. In 1952, 15 (51.5 million shares) of a total of 42 new stock issues (totaling 111 million shares) were Canadian. he stated.

"This is in line with our definite policy of helping obtain the capital to build and develop the young and growing enterprises which distinguish Canada today," McCormick added. "We are making studied efforts to obtain more Candian listings as we know that many of these sound but little-known enterprises make up the investment frontier of our hemisphere.

"Incidentally," he remarked, "in adopting the name 'American' for our Exchange we had in mind that the word embraces all of North, South and Central America, not just the United States."

A number of Canadian issues on the American Stock Exchange have unbroken dividend records of from 10 to 40 consecutive years. Among these are Ford Motor Co. of Canada Ltd., with a record of 19 consecutive dividend years; Quebec Power Co., 32 years; Dominion Bridge Co. Ltd., 40 years, and Imperial Oil Ltd., 38 years.

In a year-end review, F. G. McArthur, Chairman of the Montreal Stock Exchange, commented on the 1952 year-end dips in stock prices, but remarked that investor interest and demand for Canadian securities have continued at high levels. Regarding the expanded volume of trading on the Montreal Exchange, Mr. McArthur stated:

"The great interest of Canadian, American and continental investors in the long-term outlook of Canada's future was always in evidence, however, and there was a steady demand for securities that participate in the natural resources of the country.

"Noteworthy also during the period under review were the numerous stock splits that took place among some of the most active stocks on the list of the Montreal Stock Exchange. Among the corporations whose shares were subdivided were Aluminum Ltd., Consolidated Mining and Smelting, Industrial Acceptance, Fraser, Donohue Brothers and Canadian Oil Cos."

* * *

As a "feeler out" of the Canadian money market, Finance Minister Douglas Abbot has announced the proposal to float a Canadian Government $100 million 25-year bond issue. The issue will be handled by the Bank of Canada. The bonds will bear interest at 3¾% and be sold to yield 3.85%. They will be dated Jan. 15, 1953, and will mature Jan. 15, 1978, callable at 100% and accrued interest at any time on or after Jan. 15, 1975, after 60 days' notice.

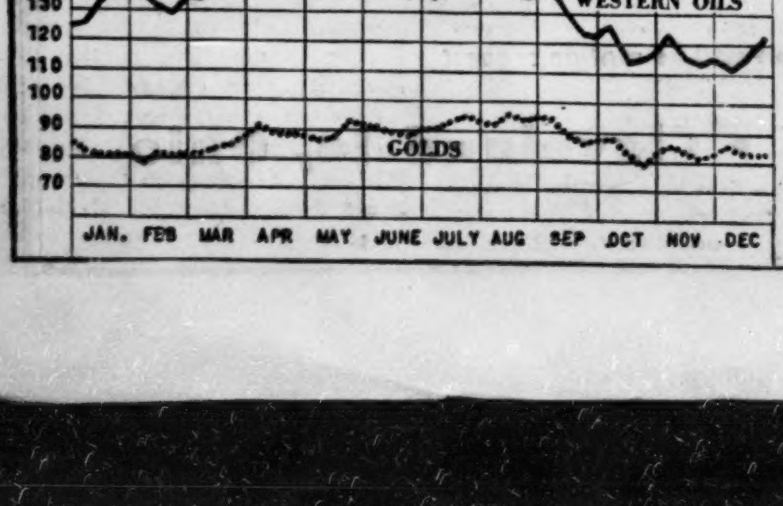
This is the first time since 1950 the Canadian Government has entered the long-term bond market and it isn't too sure what kind of reception the bonds will receive. If successful, the new issue may be followed by an issue five or six times that amount.

A large amount of money is required to pay off continually maturing issues, particularly the second wartime victory loan issue totaling about $650,000,000 which comes due in 1954.

It also has been announced that the Province of Ontario has filed a registration statement with the Securities and Exchange Commission for the sale of $50,000,000 of 22-year debentures, due on Feb. 1, 1975. The securities are to be offered for public sale in the United States through an underwriting group headed by seven companies including Harriman Ripley & Co., Inc., and Wood, Gundy & Co., Inc.

The proceeds of the sale are to be advanced to the Hydro-Electric Power Commission of Ontario, to be used to provide for capital expenditures in connection with the Power Commission's construction program.

The Commission estimates the cost of the capital construction program for 1953 at approximately $189,000,000 "exclusive of any expenditures which may be incurred in connection with the St. Lawrence River power project."



Howard Eble Exec. V.-P. of Parsons & Co.

Howard J. Eble

CLEVELAND, Ohio — Parsons & Co., Inc. announce the election of Howard J. Eble as Executive Vice-President. Mr. Eble was formerly an officer of Wm. J. Mericka & Co., Inc.

Parsons & Co., Inc. also announce the removal of their offices to the N. B. C. Building.

Cowen & Co. Admits Currey as Partner

Cowen & Co., 54 Pine Street, New York City, members of the New York Stock Exchange, will admit David P. Currey, member of the Exchange to partnership in the firm Feb. 1. Mr. Curray will withdraw from partnership in Bendix, Luitweiler & Co., Jan. 31, 1953.

With Inv. Service

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo.—Wayne E. Ellis, Joseph P. Natale, Roger R. Scholbe, and Frank Tharp have become connected with Investment Service Corp., 444 Sherman Street.

Continued from page 9

Canada in 1953 and After

first address to you as President of the Bank.

I do not mean to say, nor have I ever said, that free exchange rates will solve the whole problem; there is no simple solution. Nevertheless, it is surely unwise to forego the advantages of a free market merely because, after its adoption, some problems will still remain.

I realize that, after the rate has been freed, removal of exchange controls may have to be carried out step by step. I realize the need for special treatment of Britain's huge sterling obligations. I realize that the so-called dollar countries are insensitive to the lure of cheaper imports, and that, on the other hand, their demand for imports is overly sensitive to small dips in business activity within their own borders. Nevertheless, I feel that the greatest possible reliance on the free price system, through a flexible monetary and exchange rate policy, is prerequisite to any final removal of exchange controls, import restrictions, and other special obstacles to healthy world trade.

IV

Meeting the Dollar Shortage—(2) Increasing the Supply of Dollars

I have talked about the over-supply of soft currencies, and I have suggested that some reduction in their quantity, through monetary and exchange rate policy, would help to reduce the demand for dollars and therefore relieve the apparent shortage. Unfortunately, this, taken by itself, would result in a reduction in the dollar countries' overseas trade. However, this need not occur, for there still remains the possibility of increasing the supply of dollars; and if we respect the natural preference of dollar-short countries for "trade not aid," this means more imports of goods and services from these countries, reinforced and extended by the appropriate devices of domestic and foreign investment. By the release of dollars to dollar-short countries, the United States and Canada cannot only alleviate the dollar shortage but maintain the volume of their export trade.

In the short run, the dollar countries should act without delay to remove excessive tariff barriers and customs formalities that now present unnecessary obstacles to overseas imports. Canada, especially, has much to gain by reducing the preponderance of U. S. goods among her imports; and at the same time the release in this way of extra dollars to overseas countries would tend to reduce Canada's dependence on the U. S. export market.

In the long run, the investment program will be of the greatest importance in correcting the fundamental economic weakness that lays our allies open to recurring dollar crises. Briefly, investment may provide relief in three main ways: first, soft-currency countries may concentrate their domestic investment on industries producing dollar-earning exports or producing goods which otherwise would have to be imported from the dollar area; second, dollar area countries may concentrate their foreign investment in the same types of industry; and third, the soft-currency countries may make direct dollar-earning investments in the dollar area itself.

I think of this investment program, not as an excuse for creating new and high-sounding international institutions, but as a campaign to reduce the absurd obstacles to investment which are nowhere so great as in those countries where capital is needed most. I emphasize this because there has been a tendency in recent years to seek solutions to our international economic problems by creating new international institutions. We are familiar with the Bretton Woods institutions: the International Monetary Fund and the International Bank for Reconstruction and Development. Of these, the Bank has proved a useful, if unspectacular, aid to international finance; the Fund has so far proved something of a disappointment. But the newest proposal in this field is, I think, on the wrong track. The so-called International Finance Corporation, a proposed affiliate of the International Bank, has in view the worthy object of encouraging international investment in equity capital. With this end I am in complete sympathy; but the means to the end is another matter.

The delicate national issues raised by equity investment abroad exist partly because of real abuses in the past, partly because of rising nationalistic sentiment in the present. To have the major stockholders of the World Bank ante up a few more millions of dollars will do nothing to solve the fundamental problem. Moreover, one would hardly think this would appeal to the U. S. and Canadian governments since these are the only stockholders of the Bank that have actually paid up their subscriptions in full, or released what they have paid up for use anywhere at the discretion of the Bank. Finally, if we have difficulty today in persuading local interests that a private corporation is not a mere cloak for an imperialistic foreign power, how much more difficult will it be to persuade these people that this is not true of a government corporation, using funds supplied largely by dollar area governments.

The way to encourage private investment in underdeveloped countries is not to create another international lending agency but to secure a general elimination or reduction of the present restrictions in these countries on the repatriation of earnings, on the capitalization of earnings which are not or cannot be transferred, and on the effective control by its owners over equity capital when the majority interest resides outside the underdeveloped country.

V

Some Special Problems of International Investment

I have dwelt at some length on the proposed International Finance Corporation because I think it embodies in an easily recognizable form what I conceive to be the wrong approach to long-run problems of international investment and economic development. I favor every encouragement to the export of our capital and technical skill to underdeveloped countries. But both these essentials must first be welcomed and then fairly treated by the countries to which they are sent. We are simply deluding ourselves if we think that healthy economic development can take place where governments and peoples are unfriendly to foreign capital. And our delusion is doubled if we believe that economic development under forced draft is a final answer to Communist infiltration.

In the last analysis, international investment and economic development depend upon a change of heart in the underdeveloped countries themselves. I believe this change will be easier if those countries adopt the short-run monetary and exchange-rate policies I have already discussed, any easing of the dollar shortage by these means will make it easier to transfer interest, dividends, and capital sums out of these countries; and the mere power to withdraw will in turn encourage new

investment and thus create a further improvement in the exchange position of these countries. Nevertheless, the will must be there if healthy long-run investment is to be encouraged; and no plan or assistance program or investment institution can serve as a substitute.

VI

Protecting Canada's Basic Resources

So far I have paid a good deal of attention to the economic policies of deficit countries. As I have already indicated, the duty of surplus countries, primarily Canada and the United States, is no less clear. We may have to contribute in some form to a settlement of the sterling balances; we should direct defence orders where possible to our overseas NATO partners; and we should pursue a policy of enlightened self-interest through increased international investment and freer trade.

But in suggesting this, I wish to make it clear that we in Canada should not sell or give away any part of the vast natural resources upon which our long-run prosperity is so largely based. This is particularly true of those resources, such as water, which are necessary to our industrial development either as sources of power or in the process of production itself.

It is not surprising, therefore that responsible Canadians in the press and elsewhere have drawn our attention to the possible loss of boundary water from British Columbia to Alaska. This is only one part of the general picture which must include the shortage of water in a rapidly developing industrial area of the United States. We should, I think, take a neighborly interest in the needs of the great American northwest; but we will perform a disservice all round if, in an excess of zeal, we thoughtlessly alienate our birthright.

It would seem to be wise in principle to develop within Canada as much power as possible from the great rivers which, like the Columbia, have their source and major tributary system within our country. The power would then be available to all comers; but it would be a Canadian product.

The delicate problems which rise about our boundary waters are within the able jurisdiction of the International Joint Commission set up under the Canadian-United States treaty of 1909. This Committee is concerned not only with power development but with the combination of power and navigation which will characterize the great seaway system long contemplated, and now happily, owing to the insistence of our own country, in more immediate prospect, for the St. Lawrence River and the Great Lakes.

Canadians should acquaint themselves with the efforts and successes of this Committee, the Canadian section of which is under the chairmanship of a distinguished Canadian soldier, scientist, and diplomat, General A. G. L. McNaughton. In short the Committee is an experiment, in the administration of international law, that deserves every encouragement.

VII

A Basis for Optimism

Perhaps I have dwelt too long on the problems that face us as we enter 1953. I must conclude by stressing our possibilities as well.

Canada made a valuable contribution to the revival of faith in the traditional price mechanism when she freed the dollar in September, 1950, and removed all exchange controls a little over a year later. In other countries there are legitimate differences of opinion on whether or not the time has come to make a similar dash for freedom. But there is a surprising amount of agreement that ultimately this is what must be done.

We should be proud of the part Canada has played in this return to economic sanity. And, since Canadian economic expansion demands an expanding world economy, we should be grateful that, in general, the spirit of economic freedom seems likely more and more to become the spirit of the age.

Of course, so favorable an economic environment may have its disadvantages. It is pleasant to have one's nation regarded so highly abroad; but the boom psychology that prompts even small investors in other countries to rush into Canadian securities should teach us caution. Both our good repute and our long-term prosperity will be far safer if we do not oversell Canada now. Let us then temper our private optimism with a little public caution, especially when we are talking to Canada's many friends abroad.

Nevertheless, it is in a hopeful mood that we should enter 1953. Our country is young, its economic system is strong, and its capacity for growth will put our resources of imagination and enterprise to a severe but welcome test. This is what we should remember when we become too greatly impressed with the difficulties still ahead of us. There is little excuse for gloom in a young country that even now stands confidently on the threshold of national greatness.

Railroad Securities

St. Louis-San Francisco

In recent weeks the general tone of the railroad stock market has changed considerably. It has become largely a speculative affair as contrasted with the investment nature of the buying during most of 1952. There has been heavy buying of such issues as New York Central, New York, New Haven & Hartford, Baltimore & Ohio and Lehigh Valley, with a number of such stocks moving steadily ahead into new high ground day after day. The better quality stocks, on the other hand, have been trading in a relatively narrow range with many of them giving up some ground gradually.

Apparently in the higher grade issues there has been quite a bit of profit taking. Also, it seems possible that there has been some switching into that group of industrial shares that stand to benefit to a greater extent from expiration of the Excess Profits Tax later this year. Be that as it may, most rail analysts expect that this recent period of consolidation of wide gains by some of the investment issues is almost certain to be short-lived. Conditions within the industry remain favorable. The traffic outlook is good. A continuing improvement in operating efficiency should widen profit margins. Finally, it is expected that the era of good dividend news is not yet at an end.

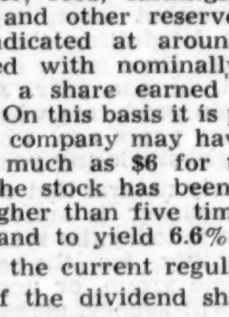
One of the stocks that has been attracting considerable interest recently is St. Louis-San Francisco. This common stock is by no means considered as being in the investment category. It is, however, one of the regular quarterly dividend payers, which is not true of the purely speculative issues mentioned in the opening paragraph. Just a year ago the quarterly dividend rate was cut from 62½ cent to 50 cents. This was largely due to the substantial increase in the amount of stock outstanding through conversion of approximately $17 million of bonds. The conversions had been in anticipation of the change on Jan. 1, 1952, of the conversion privilege from 25 shares per $1,000 bond to 30 shares.

Following the conversion spree late in 1951 there remained outstanding $27,563,200 of the Convertible Income 4½s. Were these all to be converted at the current conversion rate of 30 shares it would mean an increase in the amount of common outstanding from 1,754,257 to 2,581,147 shares and per share earnings would suffer a dilution of nearly 25%. However, as the bonds now sell well above conversion parity, and there is no change in the conversion privilege impending such as would tend to stimulate action, it is considered that there is no danger of any further dilution for some time to come at least. Thus, there is considerable feeling that the dividend may be increased, probably back to the old $2.50 annual rate, in the relatively near future.

The earnings performance of the road last year is indicated as highly satisfactory on the basis of published reports for 11 months and traffic indications during the final period. The road's revenues were moderately higher than in the preceding year. On top of that it is indicated that the transportation ratio was cut at least two points and maintenance expenses were also lower. The showing with respect to the transportation costs is, of course, the most important consideration in the revived constructive attitude toward the road's securities. It is an indication of the benefits being derived in the way of operating economies from the comprehensive program of property improvements and new equipment of recent years.

For the 11 months through November, 1952, earnings before sinking and other reserve funds were indicated at around $5.50 compared with nominally more than $3 a share earned a year earlier. On this basis it is possible that the company may have realized as much as $6 for the full year. The stock has been selling little higher than five times such results and to yield 6.6% on the basis of the current regular dividend. If the dividend should be restored to the former $2.50 it would boost the yield to over 8%.

Edwin Jacobs With L. D. Sherman Co.



Edwin Jacobs

Edwin Jacobs has become associated with L. D. Sherman & Co., 30 Pine Street, New York City, in their trading department. Mr. Jacobs for many years was associated with Blair F. Claybaugh & Co. in their New York office.

LETTER TO THE EDITOR:

Canada and Our Gold Buying Policy

Mr. J. W. Popkin, Canadian economist, commenting on Herbert M. Bratter's article in last week's "Chronicle," maintains since Canada is still basically a debtor and not a creditor nation, there is no reason for her to buy gold. Declares it is unrealistic to expect other countries to attach more importance to gold standard than does the United States.

Editor, Commercial and Financial Chronicle:

The principal overall impression I get from Mr. Herbert M. Bratter's article, "Should We Re-Examine Our Gold Buying Policy?" in the "Chronicle" of Jan. 8, is that of a man setting up a straw man in order to knock it down. For instance, I find this sentence; "The way the gold standard works is the way it worked in the United States in the 1930s and the early 1940s." It seems to me there was a significant change in the working of the gold standard in the United States after 1934. While legislation of that period retained in theory a declared metallic standard of value, by abolishing coinage and declaring contracts for an amount of money measured by the declared standard to be against public policy (Joint Congressional Resolution June 5, 1933) the substance of a gold standard was certainly destroyed. It is therefore a fiction to think that by continuing to buy gold in unlimited amounts at $35 an ounce, the United States is maintaining the gold standard single handed in a hostile world.

To my mind, justification of America's gold buying policy is tied up with its status as a creditor nation, and is one of the most inefficient means of discharging this international obligation. For this reason I do not favor an increase in the price of gold. For the same reason, and because Canada is still basically a debtor and not a creditor nation, there is no reason for Canada to buy gold. Canada needs factories and equipment and not gold in Ottawa.

It is true, Canada has favored the idea of a managed currency rather than the gold standard, and there is room for criticism here. But if Canada adopts a full employment philosophy as does the U. S. how can this policy be reconciled with the degree of deflation that adherence to the gold standard will from time to time require? I am not defending the full employment philosophy, but it seems to be the philosophy Mr. Bratter should be attacking because Canada's gold policy is not inconsistent with that philosophy. Conversely, because of her creditor position, America's gold buying policy is not wholly inconsistent with the full employment policy either. When the U. S. rejects the full employment philosophy and restores the substance of the gold standard within the country, Mr. Bratter can legitimately complain if Canada does not show greater reverence for gold.

Mr. Bratter gives the impression that the U. S. has piled up a debit position with Canada which many readers will assume to mean a trade debit balance, i.e.; the U. S. has bought more from Canada than she has sold and is prevented from settling this debt by sending us gold. As you know, the reverse is the case; our substantial adverse trade balance with the U. S. has been balanced by Canada admitting capital funds which are invested in resource development at handsome rates of return to wide-awake Americans. Here again when the United States buys as much from Canada as we buy from her, Mr. Bratter may find Canada more receptive to settling the balance in gold.

Canada Not a Creditor Nation

Mr. Bratter is in error in regarding Canada as a creditor nation. One day we will be but I believe our strong dollar position largely reflects our current attraction for foreign capital because of attractive opportunities for investment, a conservative fiscal policy and favorable tax policies. A return to more conservative policies in the U. S. under republicans, the dropping of excess profits taxes, may easily slow down the flow of American capital into Canada and reveal the tenuous nature of our strong dollar position.

Re page 4 para 2, it was the same policy under Abbot that saw Canada's holdings of gold and dollar reserves climb from $500 million in 1948 to $1.741 billion in 1950.

In summary, it seems to me the article should be re-named the U. S. strange gold policy because I for one find it hard to understand why the U. S. maintains the integrity of the gold standard for foreign gold while abandoning it in the area where it is needed to safeguard the sovereignty of the people i.e. at home. Is not Mr. Bratter being unrealistic in expecting other countries to attach more importance to the gold standard than does the U. S.? The U. S. can pursue its present gold policy without endangering its full employment philosophy. Canada cannot follow his suggestions without abandoning that philosophy.

J. W. POPKIN

Montreal, Canada
Jan. 12, 1953.

NASD District 2 Elects Chairman

Daniel J. Cullen

SAN FRANCISCO, Calif.—The National Association of Securities Dealers, Inc. announces that Daniel J. Cullen, a Senior Partner of Walston, Hoffman & Goodwin, has been elected Chairman of District Committee No. 2 (California and Nevada) effective Jan. 16.

C. F. Henderson to Admit

Charles F. Henderson & Sons, 29 Broadway, New York City, members of the New York Stock Exchange, will admit William T. Henderson, Jr. to partnership Jan. 22. Mr. Henderson will become a member of the Exchange on that date.

Mitchel, Whitmer Admits

James A. Corcoran, Jr. will acquire a membership in the New York Stock Exchange, Jan. 22, and on the same date will be admitted to partnership in Mitchel, Whitmer, Watts & Co., 14 Wall Street, New York City, Exchange member firm.

Continued from page 7

You Can't Eat Government Controls Or Beef Rollback Orders!

declining—the eventual result can only be a decline in farm income.

The fact is, that although the year 1952 turned out to be a record production year for agriculture, declining farm product prices has led to speculation in some circles that a new agricultural recession might be in the making. 1952 opened with the level of farm prices at 105% of parity, but by the end of the year the price level had dropped below the parity goal for the first time in nearly 2½ years.

The net result has been that the amount farmers had left was less than in the previous year, despite the fact that the volume of production was larger. The new income for the year has been officially estimated at $14.2 billion compared to $14.3 billion in 1951 and a record of $16.7 billion in 1947.

Farm price declines, as you well know, were sharpest for beef cattle. They closed the year about 25% lower than at the start. The farm debt climbed above $14 billion mark, an increase of nearly $2 billion during the year.

On the other hand, all reliable predictions are that the income of industrial workers will reach a record high in 1953.

If we are to live under controls and price programs, such as we have experienced, it will mean that a squeeze will be put on the livestock producers because it will further hold down the selling price of livestock. And, if history repeats itself, it will hold up the price of things a livestock farmer has to buy, including feed of all kinds, wages and machinery.

The fact is, that the farmer and the stockman are not as well off as the average city consumer thinks they are, and the American people had better be told about it. It's about time that a lot of this "hog wash" that has been spread by the controllers in Washington be exposed for what it actually is. It is about time that the American consumer learn the truth about the price control myth. Well do I know that the American consumer has been led to believe that although prices are high, they would go still higher if it were not for price control. But let's look at the facts!

The price of top fat steers on the Denver market dropped from $40.25 a cwt. in August of 1948 to $34.50—yet in March of 1952 retail prices on T-bone steak went to $1.16 per pound from 85 cents per pound in August 1948; chuck pot roast to 72 cents from 59 cents, and hamburger to 77 cents from 57 cents.

Cattle prices dropped from $30.30 a hundred pounds in April 1951, when OPS ceilings were imposed, to $27.50 in January, 1952.

During the same period that cattle prices declined nearly 10%, the retail price of beef increased. The Bureau of Labor Statistics reports that steak prices increased from $1.08 in April, 1951, to $1.13 in January, 1952. Rib roast rose from 85 cents in April to 88 cents in January.

Farmers were receiving an average of 3 cents a pound less for their cattle in January than they were in April. This would ordinarily cause a reduction of six cents a pound in the retail price of beef.

Instead of going down six cents a pound retail prices under OPS regulations rose five cents a pound on round steak and three cents a pound on rib roast.

Every one in this audience knows that the price of beef has dropped severely in recent months, and yet, this is not reflected in the retail price to the consumer.

Retail Meat Prices Have Held Up

Just before leaving Washington I conducted a little survey in the leading chain grocery stores. In every instance for day in and day out operations all of the big stores were charging the full OPS ceiling price for the various cuts of beef. Occasionally as a leader, to bring in customers, an advertised special is offered. But the point is, that for normal operation the retail outlets consider the OPS ceiling price as the minimum price to be charged the consumer and every one of them puts the price tag on accordingly.

One of the chains refused to handle Good Grade Beef. In response to my inquiry as to the reason why, the answer was, "we give the public what it wants—why should we go to the expense of putting on an educational program?"

Three other chains were putting Good Grade Beef in their cases for the first time, and selling it, mind you, at ceiling prices, but making no effort to push it.

While prices are being beaten down in the stockyards and in the wholesale markets, they still remain constant on the consumer's table. By keeping meat prices to OPS ceilings, the retailers prevent the normal price fluctuation which would be caused by supply and demand. What is actually happening, is that the ceiling prices established by OPS have become the floor on meat products.

I imagine there isn't a stockman within the sound of my voice who would not be delighted to sell all his cattle at the present OPS ceiling price, but the fact is, those prices are not being offered the producer while they are being charged the consumer. Whereas the OPS prices on live cattle are:

Phime yielding 52% meat is $37 cwt.; U. S. Choice yielding 59% meat is $34.20 cwt.; U. S. Good yielding 56% is $31.50 cwt.; Commercial yielding 53% is $27.30 cwt.

These grades on the market do not bring anything like these prices. The retail price of beef has not been reduced proportionately to the consumer because the middlemen are utilizing the lowered price of beef to absorb additional freight and wage increases. The one who suffers, naturally is the cattleman and farmer.

I know the American consumer has been led to believe that it is the producer who has been getting the lion's share of the money that the housewife pays for food products.

But again let's look at the facts. According to the Bureau of Agriculture Economics the wheat farmers' share of the retail price of bread declined from the postwar high of 23% in 1947, to 16% in June, 1951. Out of the 16 cents that the consumer paid for a loaf of bread, the farmer's share was 2.6 cents.

Out of every dollar that is spent for fruits and vegetables, the farmer gets 31 cents, and 69 cents went to the middleman. Out of every dollar spent for dairy products the farmer got 54 cents and the middleman got 46 cents. Out of every dollar spent for meat the farmer got 68 cents and the middleman got 32 cents. Whereas in 1951 the farmer got 50 cents of the consumers' food dollar and the balance went to the middleman, in 1952 the farmers' share of the consumers' dollar was 46 cents in October — four cents less than a year earlier and the smallest since Korea.

No one will deny that food prices seem high in comparison with our memories of prices we paid before World War II. But the real test of whether or not food prices are high is to be found when we compare the relationship of food prices to consumer incomes.

According to the Bureau of Labor Statistics, consumers spent 23% of their disposable income for food in 1935-1939. Today consumers are spending 27% of their disposable income for food, but they are eating better.

If the American housewife today would be willing to accept the same quantity and quality of food which cost 23% of disposable income in 1935-1939, the cost would only be 19% instead of 27%. In addition to buying more food and higher quality food, the American housewife is demanding better service, better handling, better packaging, and all this costs more money. And let me again remind her that she is paying more for marketing and distributing food of products than she is paying for the food itself.

Cattle Industry Has Problem

I am not attempting to speak to you today as an expert, since I am well aware that most of you know more about this subject than I do. I do know that the cattle industry has a problem, and that put together we must intelligently seek a workable solution to it.

If my information is correct, on the present market choice cattle is bringing 10% less than a year ago, while good grades have suffered a more severe drop of 25-30%.

Acting in good faith and encouraged by the government, the American cattleman in 1950, increased his herds in order to make more meat available for the consumer in 1953. The Korean war, the international situation, the high consumer purchasing power, and the increased population, were all factors that indicated an expansion in the number of beef cattle needed and desirable. In 1953, therefore, we face the prospect of 93-million or more cattle, over eight million higher than any time in our history.

The situation has very nearly reversed itself in one short year. Although the supply of choice is still somewhat short, the supply of good is glutting the market, and prices have fallen over $9.00 per cwt. in one year. At these prices you producers who bought cattle two years ago, when they were high. are losing your shirts.

It is only natural that when the cattle producer is suffering the losses he is today, he seeks to fix responsibility for the situation upon some group, or upon some government agency, perhaps.

Since U. S. choice-graded beef is bringing more money than U. S. good, there are many who believe that the solution to the industry's problems lies in the up-grading of beef with resultant higher prices to the producer.

Many of you know my position on this subject. For a long time I have been in favor of greater latitude in meat grading. I realize it is a tremendous problem—it is recognized, also, by all of us that a human element enters into the grading process.

I do not think, however, that it is the immediate solution to your problem.

I took the time to review the records of the Meat Grading Service of the Department of Agriculture, to make sure of some facts and dispel some myths that are prevalent.

Before the days of OPA, in 1940, there were on the average approximately 100 government graders whose services were requested by the various meat processors who desired to have the meat examined and stamped with the U. S. government grade. (Now, the pros and cons of why the meat packers found it advantageous to have government graded meat I will not at this discuss.) The fact is, that the program was initiated at the request of the packing industry.

When the OPA was established and meat grading became mandatory, the meat grading services hired a total of 526 graders and 42 supervisors.

The qualifications for those graders were at least three years experience, actively engaged in the grading of meat at wholesale levels. Three-fourths of the graders were recruited from the packing industry.

When OPA was discontinued 200 meat graders were dropped, but the industry still requested the services of 300 graders, the expenses of which, remember, were borne by the packing industry.

In 1947, in the days between OPA and OPS, there was a voluntary grading system, and they had 275 graders and 32 supervisors.

Under OPS in June, 1952, there were 531 graders and 63 supervisors, and it is estimated by the Department of Agriculture that in 1953, if OPS is abolished, *and we hope it will be*, we will have 350 graders and about 50 supervisors under the voluntary system.

I mention these figures because I think it is important that the cattleman realize that under the voluntary system of grading, approximately 80% of the packers will continue to request the services of the government grading service.

I do not know, based on the evidence which I have, whether a horde of untrained, inexperienced meat graders has been foisted upon the cattle industry. I would welcome any evidence that sustains the view of those who claim that such has been the case.

Some cattlemen of long experience and sound judgment feel that since the U. S. grade determines the selling price the spread between low choice and high good should be slight, since the division is almost arbitrary, based upon the individual grader's opinion and judgment.

As an illustration—if the spread between U. S. choice and U. S. good is 10 cents, whereas in fact the actual value of the beef in the low price category as compared with the high good is only two cents, the situation would be remedied if the grading system were adjusted so that an intermediary grading between U. S. choice and U. S. good could be established — one which would allow a category into which could be placed the marginal cattle.

This in the opinion of some, would enable the producer to receive a much better break in the sale of his high good cattle, which at the present time are just a shade under the U. S. choice requirements, and yet which are forced to sell at a price differential of from 10 to 12 cents a pound.

If the spread between good and low choice could be reduced, in the opinion of some producers, it would mean as much as from 50 to 60 dollars per head on a thousand-pound steer. This would mean the difference between breaking even on a 12-months' operation or a ruinous loss.

Shall Fight Renewal of OPS

I shall do everything within my power to see that OPS is not renewed when it comes to an end in the spring of the year. We will then have a voluntary, and not a compulsory grading system. I will give thoughtful consideration to any suggestion which may emanate from this group or from any committee of this group as to suggested changes in the present grading system which will be helpful to the cattle industry and to the American consumer.

Such proposals as seem to be valid and constructive will be given my fullest support.

As I have studied the present situation in the cattle industry, I have attempted to seek some constructive solution to the problems which face us. I offer several of these for your consideration.

First if the information which I have from the Department of Agriculture is correct, there will probably be a 15% decline in the number of hogs on the market this coming year.

This will undoubtedly increase the price of pork products. Assuming that the purchasing power of the consumer remains at its present high level, and with the normal increase in the beef-eating population, I should imagine that by spring there will be more of a demand on the part of the consuming public for beef. I should think this would stabilize prices to some degree.

Cattle prices are being driven down at the present time, no doubt because there is an oversupply in the market, and bad drought conditions have prevailed in many cattle areas, requiring liquidation.

It is interesting to note that in my own State of Kansas, reflecting the lower prices for livestock, and the record crop of wheat, livestock producers accounted for only 46% of the total farm income during the first 10 months of 1952, compared to 66% during the same period last year.

I am sure some of this can be charged to the government's meddling in the livestock business, causing a downward trend in prices and premature liquidation to get out from under.

In all probability, to prevent too rapid a liquidation and to prevent the losses which face the cattle industry, if these downward trends continue it may be necessary for us to seriously consider longer-range loans of some type, and some type of ceiling or floor which many of you abhor.

Second, I think the cattle industry, including the retailer, the packer, and the cattle raiser, has a job of merchandising to do. The people of the United States have become educated, perhaps over-educated, on the subject of "choice" meat: whereas no comparable effort has been made to point out the very definite advantages to the consumer who wisely selects and uses "good" grade of meat. I suggest that there are definite advantages in the use of "good" grade meat.

In my opinion, if the cattle industry engaged the services of some independent group to investigate the problem and to launch an educational and merchandising program, tremendous benefits could accrue, and not only to the cattle producers and to others of the industry, but to the American consumer.

My observations have led me to conclude that, regrettable though it may be, the fact is that today, regardless of price differentials, too many American consumers with more money to spend will not buy U. S. graded "good" meat.

There is no rhyme or reason to this purchasing pattern. The cattle industry should not allow the condition to exist when it can be so easily remedied by the education of the consuming public. It is up to the cattle industry—the processing industry and the retailers—to constantly remind the American public that in many instances it is economical and intelligent to buy various grades of meat.

It is high time someone educated the military purchasing agencies also, that Good Grade beef properly prepared, is just as good as choice.

I have only sympathy for any person who believes that the American farmer and cattleman will raise livestock on which he loses money.

I know that price controls, rollbacks and tinkering with slaughter quotas will not help your situation—it will only add to your declines, your losses — and dis-

courage the industry that produces meat for consumers.

In closing I want to say that the men of this industry are to be congratulated on their ruggedness, on their refusal to be subsidized, because you well understand that subsidies and handouts carry with them obligations and the loss of the right to run your own business and accept the hazards that you men are accustomed to accepting.

There seems to be a tendency nowadays to classify these rugged characteristics as old-fashioned, something to be discarded—but I want to say to you that those are fundamental virtues which, if practised and persevered in, will bring us back to government policies that have stood this nation well in former days. The cry for constructive, free enterprise was never greater than at the present time, now when we are at the beginning of the change in government views.

I think Garet Garrett, the writer, summed up some facts pretty fundamental to consider when in March, 1951, he said:

"If private enterprise cannot read it, and read it grimly, not omitting a few tears in the graveyard of its own principles, then one may be permitted to wonder if it knows why it is losing its world to the welfare state. . . .

"What has become of that deep American intuition, that unlimited government is the enemy of freedom and will in the end devour it?

"The importance of getting the question reduced to that form is that all the ideological words are put aside. You look straight at the thing itself; and the thing itself is government.

"The staggering political fact of our time is the sudden rise in the power and authority of government . . . *with the consent of the people.*

"Continuously, year after year, morning and afternoon, occasion by occasion, the sphere of government expands the usages of compulsion become more and more familiar, and the world of private enterprise contracts.

"If this continues the sequel may be foretold. You do not have to find the ideological name for it.

"By any name it will be the planned life, in which the individual will have exchanged liberty for status, plus a delusion of security. . . . Events are impatient and swift, and the fatal fact is that many of them are irreversible, at least for a long, long time. *To realize this you have only to remember what the world of private enterprise was like less than one generation ago.*"

So I leave you today with the admonition, keep your livestock industry free, fertile, rugged and competitive. We are on the road back, and I am hoping controls, roadblocks and the tinkering of planners, are on the way out. That is the way I shall work, argue, and vote.

Reopens Branches

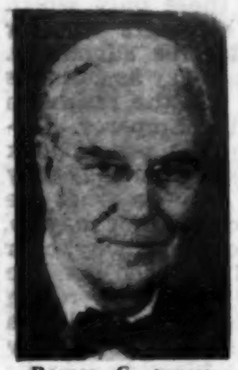
Stanley Heller & Co., members of the New York Stock Exchange and American Stock Exchange, have reopened their seasonal branch offices in the Palm Beach Biltmore Hotel and in the Sun and Surf Club, in Palm Beach, Fla. Mr. Lyell K. Hill has been appointed Manager of both offices.

Dual private wires are maintained with the New York office, assuring instantaneous and uninterrupted service.

The seasonal offices are fully equipped with stock exchange ticker, translux, Dow-Jones news ticker, and statistical and research services for the convenience of the clients.

New York City's Plan to Tax Security Transactions Attacked

The plan of Mayor Vincent R. Impellitteri to levy a tax on "sales or transfers of securities" to raise $25,000,000 for the embattled treasury of the City of New York, was bitterly attacked by the Association of Stock Exchange Firms.


Roscoe C. Ingalls

A communication from its President, Roscoe C. Ingalls of Ingalls and Snyder, follows:

Hon. Vincent R. Impellitteri,
Dear Mr. Mayor:

The New York "Times" today prints the text of your outline of a long range financial program for the City.

It comes as a shock to this Association that you should request from the Legislature authority to levy a "tax on sale or transfer of securities" designed to raise $25 million.

Last year a highly discriminatory tax on the gross income of financial businesses at double the rate paid by other businesses was levied, and this has already resulted in the exodus of a substantial number of financial businesses from the City.

Already the high transfer taxes levied by the State of New York have brought about the establishment of several hundred transfer offices by national corporations in localities outside of New York State.

If the City were to compound these penalties on doing business in New York by levying its own transfer tax on securities, it would force more business away from the City and the State and further jeopardize New York's position as the world center of the financial business already being threatened by the more advantageous smaller tax burdens involved in doing business elsewhere.

I speak for the New York membership of this Association, which includes over 300 of the leading financial firms in the City, in urging you to abandon this proposal. In the long run, this proposal would be sure to cost the City more in diminished revenues from other taxes than the amount which this particularly vicious tax measure would raise.

Sincerely yours,

ROSCOE C. INGALLS,
President, Association of Stock Exchange Firms.

January 7, 1953.

Continued from first page

As We See It

chant marine activities. In the fiscal year 1954 these programs will cost approximately $57.3 billion.

"An additional 14% of budget expenditures in 1954 will be for interest and for veterans' services and benefits. These expenditures, which will amount to approximately $11 billion, represent for the most part a continuing cost of World War II; in addition, they include the costs of services and benefits for the growing number of veterans of the fighting in Korea.

"The remaining 13%, or $10.3 billion, will be for all other activities of the Government. Some of these activities—such as the port security program of the Coast Guard and the internal security program of the Federal Bureau of Investigation — have a direct bearing on our national security.

"Others—such as our programs for agriculture, housing and community development, education and general research, labor, social security, welfare, and health—help to assure our continued social and economic progress and to strengthen the nation for the long, hard period of world tension that lies ahead of us.

* * *

"In the preparation of this budget, every Government program — including those directly concerned with national security—has been reviewed in the light of the current outlook for international developments, in the light of the heavy tax burden, and in the light of the long-term needs of the nation.

"The recommended estimates reflect our constant effort to adjust expenditure programs to make sure they are at the minimum level consistent with our national objectives."

Here all over again is the now all too familiar claim that the budget submitted is the product of long and vigorous effort to prune it to the utmost. Planned outlays in the name of defense are put down as "untouchable," notwithstanding the mass of evidence that very substantial reductions could be made without impairing our security. It is plainly implied that outlays for veterans and for the embattled farmer are equally to be regarded as sacrosanct. This latter may be so in a political sense—although we still harbor hope that the new Administration may prove the contrary. The various other items of proposed expenditure are so numerous, and each so relatively small —other than the really irreducible interest on public debt —that possible savings are made to appear scarcely worth the trouble.

Now, of course, these are the conventional claims of the spender. To accept them would be to surrender to defeatism at the very outset. For our part, we are not prepared to accept any such attitude, and we most ardently hope that the Eisenhower Administration is not and will not be.

Facts Must Be Faced

At the same time, nothing is to be gained from not fully facing the fact that reduction in Federal expenditures will inevitably prove difficult, and that immediate reductions in amounts which should be quite feasible in the course of a reasonable period are to be set down as almost impossible. The reasons are obvious to the matriculate. Mr. Dodge last week made note of some of them. A very large part of the outlays during the next 12 to 18 months and even longer have been fixed by Congressional action taken last year and in earlier years. Not only have commitments been made on the strength of prior authorizations and appropriations but programs have been put under way which can only with great difficulty and much waste be abandoned in their incomplete stage.

Senator Byrd is authority for the estimate that the Government would start the new fiscal year with $100 billion of spending authority previously voted by Congress. Add to that further appropriations essential to unavoidable spending which has not yet been authorized by Congress, and a sum half again as large would be "on the books." Now it is possible for Congress to do something to correct this situation, and to do it rather promptly, but the undoing of these past fiscal sins is a difficult, delicate and time consuming task if done intelligently, wisely and prudently. In point of fact it is time consuming anyhow by reason of the very complexity of the problems to be faced. Real budget cutting under modern conditions must start several years ahead.

Time Is Needed

Moreover, it is but reasonable to allow a wholly new regime time to orient itself. It is true, of course, that Mr. Dodge himself has been giving the budget his close attention for some two months, and that various other appointees have been studying their assignments and discussing with the incoming President many of the problems by which the Administration will be faced. All of this should be helpful and the fact that it has been taking place is definitely heartening. It should save a good deal of time in getting down to business after January 20. But as Mr. Dodge has pointed out, the budget of the Federal Government is today not only an immensely complex document, but is, or ought to be, the financial expression of broad policies of the Administration which sponsors it.

Reducing outlays is not, or should not be, merely a matter of running through a long list of proposed expenditures, and lopping this one off and reducing that one. The situation in each of the departments or facets of government must be thoroughly studied, and all of them coordinated into one all-inclusive set of plans and programs. Then and only then can work really begin constructively on both the backlog of spending now accumulated and upon fresh plans for the future. All the Administration personnel, or at least all the policy-making segments of it, will be new next week. They must be granted time sufficient for them to get their preliminary home work done. Congress is not so new, of course, but it has to be coordinated with the Executive branch. That, too, requires time.

We can only hope that it will be only a short time before the new Administration will conclude, without dissenting voice, that reduction in outlays of the dimensions desirable, not to say essential, can be achieved this year or five years from now only if in addition to greater operating efficiency there is a vigorous reduction in the scope of the functions undertaken by the National Government. For without such a realization, results must remain far short of real possibilities.

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Let Us Not Sell Our Children Into Slavery

have set up and maintained despotisms; the Common Law, with its basic principles, being the instrument through which men of equal genius, but with the love of mankind burning in their souls, have established and preserved liberty and free institutions. The Constitution of the United States embodies the loftiest concepts yet framed of this exalted concept. Because of these different concepts and the presence and reaction amongst us today of the Civil Law concepts, I wish in very general terms, to contrast some of the characteristics of these two systems.

The Civil Law was developed by Rome, with a high genius not since excelled. Its provisions reached deep into the elemental factors that make men into nations. Rome was called the Mistress of the World, and in the realm of law she retains, today, among the bulk of civilized peoples, that proud position.

The Theodosian Code

Now a little history: Following the pattern of the somewhat earlier private codifications of Gregorius and Hermogenes (of the time of Constantine), the Emperors Theodosius II and Valentinian III (Augustuses) on March 26, 429 A. D., appointed by Imperial Edict (the people were not consulted), a committee of jurists to prepare an official code, and prescribed what it was to contain. This Code was prepared and presented to the Roman Senate some nine years and nine months later (December 25, 438). That Senate, which had long since lost its power and was almost menially subservient to the Emporor, received the Code with shouts of approval: "It is right! So be it!" accompanied by loud exclamations of oriental flattery for the Emperor. There was no debate by the Senate, no objection, question, or dissent; the Senate did not so much as dot an "i" or cross a "t". The Code was wholly the offspring of the Emporors; the people had no part whatever in it.

We should understand that everything connected with the Emperor was divine or sacred—there was the sacred imperial palace, the sacred imperial bedchamber, the sacred imperial wardrobe, the sacred laws, etc. The government was an absolute autocracy, the state was thoroughly militarized, the Emperor in supreme command. The Emperor was the sole source of law. By the simple issuance of a new law, the Emperor could modify or repeal any previous law. All imperial utterances were considered divine or sacred, the contravention of a given law, as was often proclaimed, was sacrilege and the punishment for sacrilege was death. The laws issued and codified were designed to keep secure this absolute, unchallenged power and authority of the Emperor.

It is interesting to note that these laws, proclaimed over 1500 years ago, had provisions covering such so-called modern concepts, which our emigres and fellow travellers would have us believe are new, as price-fixing, black markets, excessive taxation, socialized medicine, conscription of labor, anti-Semitism, inflation, corruption in government bureaus, the relationship between Church and State—all phrases familiar to our ears. Under these laws, "the entire population was organized as in one vast army. All, including the highest officials, were strictly classified, and even the least had a station. In substance this meant that everyone did what he was told, and did not act without permission." There was a great body of secret police to report disobedience; there was a "special" secret police appointed to watch the ordinary secret police. These laws were framed to provide security. We of today have heard that same kind of security talk. But, in fact, all this bred not security, but scarcity of grain, of materials, of men. The mere making laws, even in an absolute despotism, does not change the great laws of nature and economics—neither then now now, for there can be no permanent stability where men are not free. In fewer than 40 years from the issuance of the Theodosian Code (i.e., 476 A.D.) the Empire of the West fell notwithstanding the operation, under complete autocratic powers, of economic devices enacted to promote the welfare of the people and to preserve the empire; some were the same devices which we have been told will rebuild our economic structure and preserve our free institutions. These devices failed with Rome; they will ultimately fail with us.

The Code of Justinian

Ninety years later, in 528 A.D. Justinian, Emperor of the Roman Empire of the East, struggling to preserve and build his Empire by complete autocratic authority, called a noted jurist named Tribonian to collect about him a group of other jurists (there were nine others) and with them to compile the laws issued since the time of Constantine, nearly 200 years before (306-337 A.D.). The accumulations of laws were said to be so voluminous as to fill 2,000 books and some 3,000,000 verses, estimated to equal 580 volumes of 400 pages to a volume. Tribonian's compilations were in four parts: **A Code**, containing all the imperial statutes thought worthy of preserving, from Hadrian (117-138 A.D.) to Justinian; the **Institutes**, which contain the great elements of the Civil Law, but none of them embodying the principles of a free government; the **Pandects**, declared to be "the greatest repository of sound legal principles, applied to the private rights and business of mankind, that has ever appeared in any age or nation," (Justinian called it "the temple of human justice"); the **Novels**, a collection of new laws passed subsequent to the compilation of the Code, to correct errors and supply omissions in the Code. The new Code was published in 534. All of the sources on which the Justinian Compilations were based, except the Theodosian Code, disappeared after the publication of Justinian's Code, Institutes, and Pandects. These works were composed and written in Latin, and later translated into Greek.

While the absolute power of the Emperor was implicit in the Theodosian Code, it was boldly announced in the Justinian compilations. The Emperor had all legislative, judicial, and executive power in himself. Some affirm this principle had its origin during the reign of Augustus Caesar, some trace it back to Romulus and the founding of Rome, 753 B.C.

The exact words of the Institute containing this declaration read (in translation): "The constitution of the prince hath also the force of a law; for the people by a law, called *rex regia*, make a concession to him of their whole power."

This principle seems to have been basic to Roman law in the West, for over 1,200 years, with almost a thousand years more in the East, or until 1453 A.D., when the Turks captured Constantinople. It seems that not always was the principle fully operative, but it seems, also, that there never was a time when the executive power whoever held it, and howsoever he secured it, was not more or less supreme in all the affairs of state—legislative, executive, and judicial.

Thus it was inevitable that this principle of the autocratic power of the Emperor, the executive, which was basic in the laws of Western and Southern Europe and portions of the Near East for over 2,000 years (sometimes the principle lay dormant, but still there, during the period of the Roman Republics; sometimes it was active, as in the days of the Empire, West and East), it should be a vital portion of the warp and woof of the law of continental Europe.

Gothic Influence

The Gothic barbarians, swarming over the countries of the Western Empire, brought with them their governments of mixed or limited and elective monarchies, with their "popular assemblies or national councils of the aristocratic class, which gave their assent to laws, and were the basis of all lawful authority" yet when these barbaric irruptions had spent their force and something of normal life was resumed among the indigenous peoples, the customs and traditions of preceding centuries began to reassert themselves, and people began to look back to the provisions of the Civil Law. By the middle of the 12th century, the study of the Civil Law throughout Italy and Western Europe was ardently taken up.

The Eastern Empire was now being pressed with the peoples resident all along their land boundaries; in three centuries it would fall — a relatively short time in the more than 2,200 years of the life of the Roman Empire, West and East.

Moreover, the end of the 15th century and the beginning of the 16th saw the opening of the Renaissance. The fall of the Eastern Empire scattered the learned men of the Empire over the whole country, learning revived, and once more the law of Rome resumed its sway over the European continental world.

The Code Napoleon

One other corde may be mentioned here—a modern one—the Code Napoleon. Having been appointed Consul, Napoleon appointed a Committee to make a codification of laws. Napoleon assisted in the deliberations. Here again the people were not consulted. It was compiled in four months, and is said to be the product of the Roman and customary laws, the ordinances of the kings, and the laws of the Revolution. This Code is firmly entrenched in most of the countries of Europe and prevails in most of the Latin races.

This Code Napoleon, like the Theodosian and Justinian Codes, did not originate with the legislative branch of government, nor on the initiative of the people. All these codifications originated with the executive power; their provisions were dictated by that power. It appears that in none of the three codes did the legislative power exercise any control over or take any part in the deliberations of the framers of the code; that branch at most voiced an empty approval. The rigors of this system was at times mitigated by a benign sovereign, but only to the extent that he desired; legislative bodies might at times be set up and function as he permitted; but any attempt by those bodies to go contrary to his will was somehow made ineffective; sometimes such efforts were treasonable and so handled.

Rights of People

The people under this system have those rights, powers, and privileges, and those only which the sovereign considers are for their good or for his advantage. He adds or takes away as suits his royal pleasure. All the residuum of power is in the Emperor. Under this system, the people look into the law to see what they may do. They may only do what the Emperor has declared they may do.

This concept explains why, over the centuries, it has been possible for the head of a state, operating under this concept, to establish a dictatorship, and why and how there is so little bloodshed in its establishment. To be sure, there were palace revolutions, there were partisan outbreaks, at times of grave proportions, but there was rarely a great popular uprising to sustain a principle.

We must always remember that despotism and tyranny, with all their attendant tragedies to the people, as in Russia today, come to nations because one man, or a small group of men, seize and exercise by themselves the three great divisions of government—the legislative, the executive, and the judicial. For now a score of centuries, the nations and peoples of Western and Southern Europe—the bulk of the civilized world until less than two centuries ago—have lived under this concept, sometimes more, sometimes less, and, when the concept has been operative, have suffered the resulting tragedies—loss of liberty, oppression, great poverty among the masses, insecurity, wanton disregard of human life, and a host of the relatives of these evil broods.

Concepts of the Founding Fathers

The Framers of our Constitution knew this history, and planned to make sure that these enemies to human welfare and happiness did not come to America. They were trained and experienced in the Common Law. They remembered the Barons and King John at Runnymede. They were thoroughly indoctrinated in the principle that the true sovereignty rested in the people.

Near the beginning of our Revolution, the representatives of the people met in Philadelphia and issued their great proclamation, the Declaration of Independence. They solemnly announced:

"We hold these truths to be self-evident, that all men are created equal, that they are endowed by their Creator with certain unalienable Rights, that among these are Life, Liberty and the pursuit of Happiness. That to secure these rights, Governments are instituted among Men, deriving their just powers from the consent of the governed. . . . And for the support of this Declaration, with a firm reliance on the protection of Divine Providence, We mutually pledge to each other our Lives, our Fortunes and our sacred Honor."

They made good the pledge to to the last great sacrifice, and independence was won. The representatives of the people were then speaking, and they spoke the things that were in their hearts, for which they were ready to die, and did die. No Emperor ever spoke in these terms. To have done so, would have been his suicide.

Twelve years after the Declaration, spurred by dissensions among the Colonies which threatened civil disturbances that would have invited reconquest, the representatives of the people again met in Philadelphia in the same Hall, and framed the Constitution. The Preamble to that inspired document laid down the great purposes to accomplish which the new government was set up. It declared:

"WE THE PEOPLE of the United States, in Order to form a more perfect Union, establish Justice, insure domestic Tranquility, provide for the common defense, promote the general Welfare, and secure the Blessings of Liberty to ourselves and our Posterity, do ordain and establish this Constitution for the United States of America."

Here the people were speaking as sovereign, not as Emperor, nor a small, self-appointed group assuming to be sovereign. The people declared they were so acting and did so by adopting the Constitution. They formally declared: "We the people . . . do ordain and establish." This is the difference between liberty and despotism.

Deeply read in history, steeped in the lore of the past in human government, and experienced in the approaches of despotism which they had, themselves, suffered at the hands of George the Third, these patriots, assembled in solemn convention, planned for the establishment of a government that would insure to them the blessings they described in the Preable. The people were setting up the government. They were bestowing power. They gave to the government the powers they wished to give; they retained what they did not wish to give. The residuum of power was in them. There was no Emperor, no *lex regia* here.

I can, today deal only with a few simple elemental matters, and that but briefly.

Separation and Fusion of Governmental Functions

The Framers, in the Government they provided for, separated the three functions of government, and set each of them up as a separate branch—the legislative, the executive, and the judicial. Each was wholly independent of the other. No one of them might encroach upon the other. No one of them might delegate its power to another.

Yet by the Constitution, the different branches were bound together, unified into an efficient, operating whole. These branches stood together, supported one another. While severally independent, they were at the same time, mutually dependent. It is this union of independence and dependence, of these branches—legislative, executive, and judicial—and of the governmental functions possessed by each of them, that constitutes the marvelous genius of this unrivaled document. The Framers had no direct guide in this work, no historical governmental precedent upon which to rely. As I see it, it was here that the divine inspiration came. It was truly a miracle.

The Legislative Department

The people, not an Emperor or a small group, were to make the laws through their representatives chosen by them. To make sure the representatives did not get out of hand, they were elected for short terms of office. The people could, at short intervals, displace unsatisfactory representatives and elect others to take their places. The will of the people, not the will of an Emperor, was to control.

Furthermore, the people specified in the great document, the matters about which their representatives could make laws. The sovereign power was in them, and the legislative branch could go only so far as they authorized. They lodged in the Congress the sole power to make laws about the matters they entrusted to them, and none others.

As already stated, the whole residuum of legislative power rested in the sovereign people, and the Congress could not enter that reserved domain without express

authorization from the people. This is the principle that operates to declare a law unconstitutional. We the people have all this power in our hands, if we will but exercise it.

The Executive Department

Not only their knowledge of history, but their experience, also, taught them the ills of royalty and kingship. Washington, with a lofty, pure patriotism, unequalled, I think, in the whole history of the world, had set them the lesson, when, at Newburg, he affirmed that he must view with abhorence, and reprehend with severity the suggestion of certain elements of the army that they make him king, a suggestion, he said, that "seems big with the greatest mischiefs that can befall my country."

(It might not be a bad thing to have an easily readable, engraved copy of Washington's letter on this matter, hung in several conspicuous places in the White House.)

The Convention (Washington was its President) provided for the election by the people of their Chief Executive—a President—for a limited term. Under the influence of Washington's lofty patriotism, they failed to think it necessary to provide limitations upon reelection. But, mindful of the lessons of history, the Convention, representing the people, bestowed upon their President certain specific powers, only. He had none they did not bestow. They bestowed upon the chief executive all the executive powers they gave to anybody. Here, also, all the residuum executive powers were retained by the sovereign people. If the executive is to exercise any further powers, these powers must be bestowed by the people. The President is not a sovereign Emperor, yet in the executive department is lodged all the executive power, which, by the Constitution, the people gave up the government.

As a check upon the legislative branch, the people, under the Constitution, gave the chief executive certain limited legislative functions; he reports the needs of the country to Congress, he can recommend legislation, he can veto bills of Congress, but Congress can pass these bills over his veto.

That the President might not acquire too much power in his executing of the laws, the people imposed certain limitations upon his powers of appointment to office, by providing that the Senate must advise and consent to certain of the more important appointments.

To the same point of further checking the executive power, the people provided, through their representatives at the Convention, certain restrictions to his conduct of foreign affairs, by providing that treaties must be ratified by the Senate. Moreover, our diplomatic representatives can be properly appointed only by and with the advice and consent of the Senate.

Thus, while the President is given certain powers with respect to the enactment of legislation, the Congress is given certain powers with respect to the administration of the government. These arrangements are sometimes spoken of as checks and balances, and if they are observed, they prevent any encroachment by one branch of the government against another, or upon the rights and privileges which the people reserve to themselves.

The Judicial Department

The people, through their representatives at the Convention, provided for a judiciary which was to judge the laws, to determine, first, whether the laws were in agreement with or in derogation of the powers conferred upon the Federal Government, and, second, to determine the respective rights of litigants under the law. All the judicial powers of the government were to be exercised by the courts.

Here, also, safeguards were provided. The President nominates the various judicial officers, but the Senate must advise and consent to their appointment. The legislative branch and the executive branch cooperate in the setting up of the judiciary, which, however, once created, acts independently of either of the others.

There is no provision in the Constitution giving general authority to either branch to function in the field of the other, except as specifically provided; nor is either branch (except as specifically provided otherwise) to delegate any of its powers to the other. These two principles are elemental. So long as these principles are observed, our liberties and our free institutions are secure, and no despotism can be set up amongst us.

I wish now briefly to call attention, in general terms, to some inroads that are making into our constitutional system.

In this connection, I ask you to keep in mind that the despotism made possible and often existing under the Roman Civil Law, resulted from the concept that the head of the state had all governmental powers, in their totality—legislative, executive, and judicial. This is the *lex regia*. I repeat, this makes despotism possible — then and now.

Administrative Tribunals

There is a growing tendency for our Congress to turn over to administrative commissions the power to make laws. This plan carries the innocent description of making regulations to enforce the laws. But lawyers know that under the guise of issuing regulations, these administrative bodies really legislate, not only in procedural matters, but also in substantive matters. Should any one doubt this, let him read the debates of 40 or 50 years ago regarding the giving of power to the executive to negotiate trade agreements. The Emperor idea (always alluring to ambitious men) is taking root.

Again, these same administrative bodies that so legislate, also act as judges of their legislation. They are *pro tanto*, the judiciary judging their own laws. This is some more Emperor, more *lex regia*.

Finally, I am told that in certain matters, they exercise executive powers to enforce their decisions. If this be true—I fear it is. This is the final Emperor step—the *lex regia* of the Roman system—in one place the legislative, the executive, and the judicial powers.

We the people have swallowed all this. The courts have not condemned it. As to the matters affected, we are now a despotism. If it is established and accepted in one field, it is easily extended over others. It is only a matter of time and our complacency. It is not possible to condemn too strongly this growing perversion of our constitutional principles.

Unofficial Diplomacy

Again, and as another check upon the executive, in his conduct of international relations, the diplomatic representatives of the government must be, as we the people provided in the Constitution, nominated by the President and approved by the Senate. But the habit is growing of appointment by the President of personal, quasi-diplomatic representatives, "ambassadors at large" they call them, who "going to and fro in the earth and walking up and down" —to use Job's phrase—bring their harvests to the President. President Wilson was the first to give this device considerable importance when he sent the ubiquitous Colonel House to Europe.

There is no such thing as a Presidential Ambassador under the Constitution. This is another Emperor insignia. Our Ambassadors are Ambassadors of the United States, not Ambassadors of the President. We the people have swallowed that innovation, too.

Influencing Congress

We the people provided in our Constitution that the President should report the state of the Union to Congress and recommend legislation. But there is growing up the custom for the chief executive not only to recommend legislation, but actually to draft it, and submit it to its favorites in Congress to secure its passage. The administration support in Congress takes the bill and makes every effort to pass it. The Roman Senate receiving the Theodosian Code, without discussion, not dotting an "i" or crossing a "t," and with shouts of "It is right! So be it!," was hardly more subservient than are some presidential congressional supporters. While in Theodosian days men were executed as traitors for refusing to go along with the program, in our days, political vengeance is visited, either by denying patronage, or by social ostracism, or by active opposition at the polls against recalcitrant lawmakers. President Theodore Roosevelt was one of the early exponents of these measures of compulsion. This, in effect, is some more Emperor absorption of the legislative powers, the *lex regia* of Rome.

One item more, before I close—

Who Is Mis-Directing

And I may as well here as anywhere, tell you that, in my opinion, built from observation over the years, when the true history of our detours from constitutional government, is written, it will be found that they were largely conceived and put in motion by European political emigres, who were trained in the Civil Law and thoroughly converted to the *lex regia* of the Institutes, aided and abetted by certain fellow traveling liberals, among them being those who have been trying to destroy the right and tradition of the Supreme Court of the United States to declare laws unconstitutional. They are gradually—not too gradually—trying on us all the tricks the Roman Emperors used to hold their autocratic power, in an effort to build here a *lex regia* either through a dictator or through a socialized, Sovietized government that will establish the same sort of society.

Presidential War Powers

But to return to the other item: One of the choicest morsels of dies of these emigres and one of their most relied upon shibboleths (to mix my metaphor), is the war powers of the President. When all else fails to justify some proposed unconstitutional course, the emigres and their fellow travelers fall back upon the war powers of the President.

But there is no magic in this phrase. As a matter of fact and of law, there are almost no Presidential war powers in the sense in which these political emigres and their fellow travelers use it, that is, a source of power inherent in the President as President and awakened by the fact of war. A short explanation will make this clear.

As a matter of fact and of law the President of the United States is a dual personality. He is the chief executive charged with executing the laws of the country and he is Commander in Chief of the Army and Navy of the United States. The problem is simplified if you think of the presidential powers as lodged in two persons—one the Chief Executive, and the other the Commander in Chief.

As Chief Executive he enforces the laws of the land, passed by Congress or coming in by treaty, which latter, the making of treaties, seems to be the only lawmaking participation given to the Chief Executive by the Constitution, except the power of veto and the power to recommend legislation just mentioned. The war powers are in Congress which is given the exclusive power under the constitutional provisions:

"To declare War, grant Letters of Marque and Reprisal, and make Rules concerning Captures on Land and Water;

"To raise and support Armies, but no Appropriation of Money to that Use shall be for a longer Term than two Years;

"To provide and maintain a Navy;

"To make Rules for the Government and Regulation of the land and naval forces;

"To provide for calling forth the Militia to execute the Laws of the Union, suppress Insurrections and repel Invasions;

"To provide for organizing, arming, and disciplining the Militia, and for governing such Part of them as may be employed in the Service of the United States, reserving to the States respectively, the Appointment of the Officers, and the Authority of training the Militia according to the discipline prescribed by Congress."

These are the war powers prescribed by the Constitution and they are all in Congress. But when that body passes laws to implement these powers, then the execution of these laws becomes the duty and responsibility of the Chief Executive, and the powers therein granted, and only those so granted constitute the war powers of the President as Chief Executive. But none of such powers are inherent in the office of the Chief Executive. Obviously, in addition to these war powers so granted by Congress, the Chief Executive has all the peace-time powers with which either the Constitution or the Congress endows him.

But as our laws show, such Chief Executive powers (conferred upon him in time of war and conferred by Congress) may be of the widest scope, including provisions derogatory and even largely destructive of the ordinary peacetime civil rights of individuals.

However, to repeat, this authority and these powers are to be measured exclusively by the express statutory enactments of the Congress, passed pursuant to and in virtue of the duty and powers of Congress to provide for the waging of war by the United States as specifically authorized by Constitutional provision. They are not to be considered as growing out of, or in any necessary way, concerned with, related to, or enlarged by his powers as Commander in Chief.

So much for the war powers of the President as Chief Executive.

There is no imperial *lex regia* in all this. It is directly contrary thereto.

As to the duties of the President as Commander in Chief of the Army and Navy of the United States, without going into great detail it may be observed that a commander in chief is appointed (as history irrefutably shows) for the conduct of belligerent operations; of armies in the field; and to this end the commanders in chief have been given by their sovereigns very large executive, judicial, and legislative powers **over occupied enemy territory.** But to assume from the existence of these powers in occupied enemy territory that a commander's commission also endows him with like powers in the matter of the local government of his own country, powers which to be operative must supplant the sovereignly established constitutional order with a new and different system, is to adopt a politically unsound theory and to ignore elemental historical facts of all civilized governments, autocratic or democratic, the world over. When the Commander in Chief assumes these latter powers, he becomes a usurper.

There is no imperial *lex regia* in this commander-in-chief-ship of ours, either. It is wholly governed by Constitutional provision and limitation. Thus-far-shalt-thou-go-and-no farther is inherent in the whole situation.

If time permitted we might discuss other devices that were part and parcel of the imperial Roman technique used to maintain the *lex regia* of that government, and to keep the Emperor in power. I will merely name one:

There was the buying of the support of the Roman people by giving them elaborate banquets, by the distribution of foodstuffs free — the corn laws come from those days—by providing the people with magnificent amusements, such as gladiatorial fights, fights between wild animals, and between savage beasts and humans (such as throwing Christians to hungry lions), by providing numerous and prolonged holidays, crowded with amusements of various kinds (we talk about recreation), by the triumphs of victorious generals in which the generals, bidding for popular support looking towards lucrative office, provided all the foregoing, except the Christians. All this was done without cost to the people. Run over in your minds our own present situation, and figure how much government is giving the people, and the results of the policy.

A few words in conclusion:

Having in mind the loudness with which some few cry out against the inadequacy of our system, I may observe that the mere seeming existence of an exigency not apparently covered by our fundamental instrument, or the appearance of an inconvenience of mere administration under it, can not justify any branch of government in a violation of the Constitution. Nothing but such a necessity *in extremis* as the compelling force of a conquering foe could justify any branch of government in assuming that the people had willed a violation of their fundamental charter of government. Moreover, it is to be said of the past that no necessity has thus far arisen in our history which could not have been ultimately, adequately met by constitutional methods. And history justifies the further statement that the cry sometimes raised for amendment of our great fundamental charter to meet transitory and pseudo-emergencies, the occasional charge that we are governed by an antiquated instrument embodying obsolete principles unsuited and irresponsive to the needs of modern life, this cry and charge almost always come from those who, from want of individual or racial capacity, are incapable of understanding or appreciating the fundamentals of, or to think practically and creatively about, the problems of free self-government. There is every reason to believe that those who understand the spirit as well as the word of the Constitution will be able in the future as in the past to find a way under it to meet all national emergencies and yet preserve its great principles and the republican form of government for which it provides.

God grant we may not sell our heritage of liberty and free institutions, our God-given birthright, for a mess of sodden pottage, carrying a poison that will enslave us and our children for generations yet to come. Let us not sell our children into slavery.

Mutual Funds

By ROBERT R. RICH

RESULTS OF a search for growth opportunities off the beaten paths as well as among better known investments have just been released to shareholders of Diversified Growth Stock Fund. This mutual fund began operations in November, 1952 with $11,000,000 of capital — part of which was raised in an underwriting of its shares by Kidder, Peabody & Co. and a nationwide group of investment firms.

In addition to holdings in large and widely known companies in the oil and gas, electronics, chemical and drug fields, the report showed investments in Hooker Electro-chemical Co., Durez Plastics, Consolidated Engineering, American-Marietta Co., Franklin National Bank, and others.

As disclosed in the report, the aim of the Fund is to invest in companies going through a period of expansion and giving promise of better than average growth—largely as the result of scientific and technological developments. In releasing the report to the 6,000 shareholders of Diversified Growth Stock Fund, Hugh W. Long, President, said:

"Investing in the dynamic areas of American business requires intensive research and endless digging for values in areas overlooked by the crowd, as well as in the more widely recognized areas of growth investment. That is one of the reasons why the Fund's advisory organization is retaining consultants working in the laboratories of science and industry, in addition to its investment specialists."

AT THE ANNUAL shareholders meeting of Dividend Shares Inc., held in Baltimore Tuesday, Hugh Bullock, President, reported that the Fund's net assets on Dec. 31, 1952, totalled $119,426,292, a record high, compared with $101,895,268 a year earlier, maintaining the positon of Dividend Shares as one of the dozen largest investment companies in the world. Shareholders numbered more than 60,000, a gain of about 6,000 during the year. Their average holding was approximately $1,000.

Mr. Bullock stated that every stock owned by the Fund is paying dividends, and that more than 90% of these stocks have paid dividends for 10 years or more. Describing the management's economic outlook as "soberly optimistic," Mr Bullock summarized the grave problems confronting the new Administration as "the Korean War, the ever-present threat of Soviet aggression, the largest government debt and highest taxation in our history and a hugh Federal budget sadly out of balance. "Yet the stature of the President-elect," he continued, "and the unusual talents of his appointees together with their orthodox economic views should tend to create a favorable climate for private enterprise.

"A high level of industrial activity for the year is virtually underwritten by necessary defense expenditures, regardless of the trend of events in Korea. Net profits are something else again because taxation cannot help but remain high, costs of doing business will be heavy, competition keen, profit margins narrow.

"Generally speaking, however, it would seem that net earnings in 1953 should not be greatly different from those of this past year. Since common stock prices continue to capitalize such earnings conservatively, they appear to be on a sound investment basis currently."

Holders of more than two thirds of the outstanding shares of Dividend Shares, Inc., were represented in person or by proxy at the meeting.

CHARLES M. WERLY, trustee of the Putnam Fund and partner of the Putnam Management Company, said this week that "diversification of paper usage into such fields as frozen foods, handkerchiefs, towels, cups and milk bottles has been chiefly responsible for the dollar sales growth of 19 leading companies from less than half a million dollars in 1936 to over $2 billion last year, a five-fold increase."

Speaking over the weekly radio program, "Your Money At Work" on WOR, Mr. Werly told Milton Fox-Martin, Kidder, Peabody's Central Mutual Fund Department Manager, that paper's expanded applications "have resulted in an increase of per capita consumption from about 150 pounds in 1932 to over 400 pounds in 1951."

Mr. Werly, defining over-expansion as one of the industry's early problems, said that "this condition has been rectified to a large extent and, as a result, there has been a great geographical shifting around within the paper industry." Mr. Werly explained that the newsprint industry has shifted from New England to Canada, whereas the kraft paper and container board branches have gone South. "Most paper companies," he continued, "make it a policy not to cut trees any faster than they can be replaced, with replacement growth taking place at a much faster rate in the South."

Pointing out the earnings increase of $172 million for 19 representative companies during the past 15 years, the Putnam representative said that the industry's outlook is good and will be even better if the excess profits tax is allowed to expire. "Practically all units in the industry, even the marginal producers," Mr. Werly concluded, "reported record or near-record profits in 1951."

ONE OF 1952's largest percentage increases in the size of a mutual fund was reported today by Diversified Common Stock Fund. As disclosed in the Annual Report to Shareholders, assets increased 150%, from $2,015,000 to $5,025,000 in the year ended Nov. 30; number of shareholders also increased by 150%.

Net assets value of the Fund's shares on Nov. 30, 1952, at $5.40, compared with $5.02 at the beginning of the fiscal year, an increase of 8.2%. Quarterly income dividends paid in 1952 totalled 30 cents per share, the same amount as in 1951.

The report showed an increase in Fund holdings in the electric, utility, oil, rubber and electronics industries. Holdings in the motion picture industry were eliminated early in the year.

In releasing the report, Hugh W. Long, President, said: "The recent history of Diversified Common Stock Fund is one of growth in assets and shareholders far outstripping the mutual fund field generally. It reflects the growing importance of mutual funds as a source of investment income in the long-range financial programming of American investors."

NET ASSETS of Commonwealth Investment Company reached a new high of $60,248,568, on Dec. 31, 1952, according to information just released by the company. This reflects a gain of 42% in assets during 1952.

Number of shares outstanding increased from 6,212,732 to 8,580,461. There are over 36,500 shareholders on the company's books according to the report. This is an increase of 46% during the year. The company's shareholders are in every state in the United States and also in several foreign countries.

During the year 1952, the company's sales were in excess of $20,000,000 with over 1,000 dealer firms, located throughout the country, participating in the sales of the company's shares.

Commonwealth's portfolio is made up of 318 individual securities. On Dec. 31, 1952, the largest industry holdings were as follows: Oil (13.1%); Public utilities, electric (10.7%); Chemicals and drugs (4.7%); and Public utilities, natural gas (3.5%).

The company paid four distributions during 1952. A total of 28½ cents was paid from investment income and 13½ cents was paid from realized security profits.

NET ASSET value per share of Investors Selective Fund, Inc., distributed and managed by Investors Diversified Services, Inc. remained stable and the fund's total assets rose slightly during the year, shareholders were told today in the fund's annual report for the fiscal year ended Nov. 30, 1952.

At the year-end the Fund's net asset value per share was $9.92, compared with $9.54 at the close of fiscal 1951, it was reported by Earl E. Crabb, Chairman of I. D. S. Distributions to shareholders from investment income totalled 41½ cents per share in fiscal 1952, as compared with 41 cents per share last year.

Total net assets increased approximately $2,000,000, from $9,697,806 to $11,739,496 due largely to excess of purchases over redemptions.

Because Investors Selective's investment objectives are basically conservative, with its portfolio limited to bonds and preferred stocks selected with emphasis on income possibilities, money rates will continue to determine the Fund's future performance, Crabb stated.

At the year-end, the Fund had more than 30% of its total net assets invested in public utilities senior securities and about 22% of its portfolio in railroad securities.

DELAWARE FUND reported here yesterday gross sales of shares to the public of $34,480,363 in 1952, or at the rate of more than $296,000 monthly.

Shares outstanding increased at the rate of 13,800 a month last year to reach the record total of 882,764 at the close of 1952. This represented an increase of 165,937 shares over the number outstanding a year previously. The Fund closed 1952 with 6,031 shareholders, largest number in its history.

WILLIAM F. SHELLEY has been elected a Director and member of the Executive Committee of Massachusetts Investors Growth Stock Fund, according to announcement by Kenneth L. Isaacs, President.

Associated with the management and underwriting work of investment companies for the past 18 years, Mr. Shelley, is Chairman of the Executive Committee and Director of Boston Fund; President and Director of The Bond Fund of Boston, and Vice-President and Director of Canada General Fund. A partner of Vance, Sanders & Company, leading underwriter of investment company shares, he is also a partner of Boston Management and Research Company.

RECORD 1952 sales of Wellington Fund shares were reported today by A. J. Wilkins, Executive Vice-President of Wellington Company, national distributors of the Fund.

Mr. Wilkins said gross sales for the year amounted to $50,988,000, largest in the Fund's 24-year history, as compared with gross sales of $45,623,000 in 1951.

The mutual fund executive reported that the Fund added at the rate of upwards of 1,700 shareholders a month in 1952 to bring the total at the year-end to an all-time high of 96,000 as compared with 75,000 at the close of the preceding year. He said that the average purchase of Wellington Fund shares in 1952 was about $2,500.

RAILWAY AND LIGHT Securities Company, the country's oldest leverage investment, company, announces a change in the Company's name to The Colonial Fund, Inc. Effective Dec. 22, the change was voted by the stockholders at their meeting Dec. 17.

James H. Orr, President, stated that the change in name would not affect in any way the investment policy of the company or its capital structure. The Colonial Fund, Inc., is a closed-end investment company with a diversified list of investments.

THE DIRECTORS of Incorporated Investors have elected George D. Aldrich, John J. Dunphy and Amory Parker as Vice-Presidents. James E. Gibbons and Harold L. Stillman will continue to serve as Senior Vice-Presidents. As of Dec. 31, 1952, total net assets of Incorporated Investors were in excess of $136,000,000.

FREDERICK W. PAGE has been elected a Vice-President of Broad Street Investing Corporation and National Investors Corporation, it was announced by Francis F. Randolph, Chairman of the Board and President of these two mutual funds. Mr. Page has been a Vice-President of Tri-Continental Corporation, the largest of the closed-end investment companies, with which the two mutual funds are associated since 1948. He will retain this position in addition to the new appointments, which were made Tuesday by the Boards of Directors of the funds.

Mr. Page has been active in investment and research activities for Broad Street Investing, a diversified fund, and for National Investors, a growth stock fund, as well as for Tri-Continental, for 19 years. Mr. Page also is a director of the Brooklyn Union Gas Co., and a trustee of the Irving Savings Bank. He is a graduate of Dartmouth College and the Harvard Graduate School of Business Administration and a resident of Glen Ridge, New Jersey.

Continued from first page

Management of Trust Department Portfolios

bank. It differs from other departments to an even greater extent than the commercial and savings departments do from each other. It carries on many of its dealings with other departments of the bank as though it was practically a separate corporation. The law requires that all deposits made by it in the savings or commercial departments shall be fully secured by the pledge with the trust department of U. S. Government or other high-grade bonds so that, in case of failure, the owners of the trust funds shall have a lien on this collateral in addition to their claims against the bank.

The primary authority in the bank for all trust administrative acts is the Trust Committee. Some of its members are from the trust department and some are from the other departments of the bank. This committee meets regularly, keeps full and accurate minutes, and passes on all matters of an administrative nature that are brought to it for decision. A separate Trust Investment Committee usually is appointed to act as the primary authority for trust investment matters, although this authority is sometimes exercised also by the Trust Committee. In either case, the appropriate committee passes on all investment matters involving the sale, retention, exchange or purchase of trust assets. It is kept informed by periodic reviews of trust assets prepared by trust investment personnel regarding the investment status of trust assets and their market values, the changing needs of beneficiaries, and other matters pertinent to the investment and reinvestment of trust funds. In a similar manner, the Trust Committee is kept advised about administrative matters by means of reports to it made by trust administrative officers and by the review of the minutes of the Trust Investment Committee.

The work of a trust department is usually divided according to its technical aspects and is allocated, so far as possible, to various desks or divisions. Each of these is handled by one or more staff members who are specialists in their respective fields. For instance, there are usually separate desks or divisions for estates in probate, voluntary trusts, testamentary trusts, guardianships, escrows, stock registration and transfers, custody accounts, agency accounts, real estate, taxes and others. Trust departments are usually equipped with all the latest mechanical aids and devices, such as Addressograph, International Business Machine punch card systems, etc. All these specialized operations are supervised by the senior officers of the trust department who also handle the actual administration of certain specific trust accounts.

The investment work of a trust department is usually handled by a separate division or department. The various men in such a department specialize to greater or lesser degree in specific industries and prepare reports and recommendations for the purchase, sale or retention of securities in their respective fields. In the smaller trust departments, each of these men is usually assigned the investment supervision of a group of trust accounts. In the larger trust departments, the supervision and contact with customers is frequently assigned to account administrators or supervisors who work closely with the analysts and depend upon them for close investment information and advice.

Information files are maintained for each security and a record is kept showing the trust accounts which hold it and the amount owned by each. This record makes it easy to apply decisions regarding the sale of any security, the exercise of rights, etc., to all holdings. A separate investment file is set up also for each trust account. This file contains a record of the securities held in the account, including the date of acquisition and their costs. It also includes a synopsis of the trust instrument showing such data as the date and type of the trust, its expiration date, the names, relationships, ages and interests of the life tenants and remaindermen, the purpose of the trust, special income requirements, the names of co-trustees or consultants, if any, the investment powers, the manner in which the income will be distributed, encroachment provisions and similar information. This file usually contains other memorandums about the financial status and income requirements of the beneficiaries, the general investment plan agreed upon with beneficiaries or co-trustees and other pertinent information. It generally contains also copies of all investment reviews and recommendations and the action taken concerning them. As you can see, this file is designed to provide the analysts and account administrators with complete and readily available information about each trust account.

Types of Fiduciary Accounts

There is no uniformity in the names applied to the various types of accounts found in a trust department. However, the accounts in which there are usually investments to be handled fall into the following categories:

Custody accounts embrace the physical custody of securities, the collection and crediting of interest and dividends with advice of credit, the preparation and filing of ownership certificates, advance notice of maturing principal and its prompt collection, and the preparation of periodic statements. Securities are bought, sold and exchanged only on the instructions of the customer. The owner frequently designates the broker or dealer through whom his security transactions are to be carried out. Securities are held, as they are in all other types of trust accounts, separate and apart from those belonging to other accounts and are accorded the same protection as the bank's own property. All income is immediately credited to the customer's commercial, savings or other account, depending upon the instructions given. No money is carried on the trust department books in this type of account. This is the simplest type of service performed by a trust department. It is as simple to arrange as opening a savings account and, if a person is not satisfied, or for any other reason decides to close the account, it can be easily terminated. People with large holdings of securities or those who, for one reason or another, do not have the time or inclination to attend to the numerous details of caring for them frequently use this type of service. It is used by many people who live outside the financial centers to facilitate their security purchases and sales. It also is often used by investment counsellors for similar reasons.

Under an agency account, a customer obtains not only the same services provided in custody accounts, but also usually relieves himself of more of the burdens and responsibilities of property ownership. The customer may delegate to the trust department the management of real estate or the handling of notes or mortgages. He may also arrange to receive investment advice regarding securities held in an agency account. In this case, a suitable investment plan for the particular account first is agreed upon and subsequent recommendations for purchases and sales of securities are designed to fit into the plan. Such customers are notified about bond redemptions and the issuance of stock rights and thus avoid the losses that frequently result from oversights of such matters. In addition, a customer may keep money on the trust department books in such an account. An agency account is just as easy to open as a custody account. Many of the reasons that might impel a person to open a custody account also pertain to opening an agency account. The fees charged for custody and agency accounts are not only modest but they also constitute a deductible expense for income tax purposes. Consequently, their net cost is small.

An executor is the individual or corporate fiduciary appointed by a person who makes a will to administer his estate after his death. The executor gathers in the assets, ascertains what debts are owed, has the estate appraised, pays the taxes and debts that appear correct and that the court also approves, contests all improper claims and then distributes the residue in accordance with the decree of the probate court. This whole procedure is what is known as "probating" the estate. The assets of the estate are usually distributed after the six-months period provided by law during which claims may be filed against the estate, if there are no complications. Purchases or sales of estate assets, with the exception of perishable property, can be made only after obtaining court authorization. As such assets are usually held only for short periods of time, estate investment transactions are comprised largely of sales of estate assets, or the purchase of sort-term bonds.

The duties of an executor for an estate of substantial size require a high degree of business ability, integrity, tact and specialized knowledge. Because of these requirements, more and more people choose a corporate executor. The fees paid to a corporate executor are no larger than those paid to an individual executor, whether competent or not. A corporate executor is always on the job, ready for every emergency at the time of the testator's death, and its efficiency or availability in handling the estate is not affected by sickness, travel, absence, etc. By using a corporate executor, all possibility that one beneficiary may exercise improper influence or control to the detriment of the others, and all risks of misuse of the funds of the estate are avoided.

An administrator is the individual or corporate fiduciary appointed by the court to perform the same duties in connection with the estate of a person who dies without a will (intestate) or where the will fails to designate an executor who is capable of acting.

Guardianship accounts are created by court order to handle the affairs of minors and people who are not capable physically of handling their business affairs, or who are mentally incompetent or insane. Every incompetent or minor who owns property should generally have a guardian of his estate and, usually, also a guardian of his person. No bank can act as guardian of a person but the trust departments are well equipped to act as guardian of the estates of minors and incompetents.

The investment powers of corporate and individual guardians are now the same and are prescribed by the Probate Code of the State of California. Section 1557 of the Probate Code provides that "on application of the guardian or any person interested in the estate of the ward, the court may authorize and require the guardian to invest the proceeds of sales, and any other of his ward's money in his hands, in real property or in any other manner most to the interest of the ward, and the court may make such orders and give such directions as are needful for the management, investment, and disposition of the estate as circumstances require."

Briefly, it may be stated that a guardian may invest in any real or personal property authorized by the court. While the Prudent Man Rule does not apply to guardians, the same principles of investment are believed to apply to investments made by them. Investment procedure for guardianships is cumbersome in that, with the exception of U. S. Government obligations purchased for veterans, prior court authorization must be obtained for investment purchases. Sales of stocks and bonds by guardians can be made subject to later court confirmation. Guardianships have the advantage that, since all investment transactions must be authorized by the court, or be confirmed a short time later and, in any event at the time of final accounting, there is little chance that a guardian may be surcharged for mistakes years later.

The reasons for appointing a trust department as guardian for the estate of a minor or an incompetent are even more compelling than in the case of an executor. It has unfortunately been true throughout the years that many natural guardians have not been as meticulous in dealing with their wards' estates as they should have been, or have not had the experience or skill to administer them to the best advantage, thereby causing substantial losses to a type of person who can least afford them. Choosing a corporate trust department completely obviates such a possibility.

The term "trust" is generally used to refer to the situation or relationship created when an owner of property, real or personal, transfers it as trustor to another person as trustee, to be held, used and distributed by the latter for the benefit of other designated persons as beneficiaries. There are many types of trusts. We will consider only those that are likely to involve investment problems. Two of the most important of these are what are known as "testamentary" and "voluntary" trusts. They are the kinds that are most frequently controlled by the provisions of the Prudent Man Rule and are the main subject of our discussion tonight.

The person who receives income or other benefits from a trust for a limited period, usually during his lifetime, is called the "life tenant." The person who receives the remaining trust estate upon the termination of the life tenant's interest is called the "remainderman."

Many people provide in their wills that all or a portion of their property shall be placed after death in a trust. Such a trust is set up after payment of the testator's debts, taxes and prior legacies. The individual or trust company named in the will to act as trustee in such a case is termed a "testamentary trustee." The testamentary trustee administers the trust, pays out the income for the period of time specified in the trust, and ultimately distributes the principal in accordance with the provisions of the trust. Court accountings and confirmations must be made from time to time of all actions taken by testamentary trustees. The basic thing to remember is that such a trust does not come into existence until after the testator is dead. The will and trust can be changed, or revoked entirely, at any time before death.

Instead of creating a trust under a will, a person may create a trust that will be operative during his lifetime. Such a trust is termed a "voluntary," a "living" or an "intervivos" trust. It has the advantage of going into effect immediately upon the signing of the trust agreement. Upon the death of its creator, it continues on without the necessity of further action. This type of trust may be made revocable or irrevocable during the trustor's lifetime. When property is placed in a voluntary trust, a change in title takes place.

A revocable living trust is a prudent way to place one's property in trust. Not only does the trustor have the opportunity of seeing how the plan will work out during his lifetime, but he can also see whether the trustee will perform its services for him efficiently after his death. A substantial sum of money usually is saved after death through the use of a living trust by the avoidance of the executor's and attorney's probate fees. The trust assets and affairs are kept in strictest secrecy. The public never knows what the estate consisted of, what its value was, or who the beneficiaries were. It also avoids the necessity of all court appearances which for many widows are extremely unpleasant.

The investment powers granted in a trust instrument may be vested solely in one trustee, or in two or more co-trustees. Some trusts require the trustee to obtain the approval of a designated person before buying or selling trust assets. Under some trust instruments, the trustee must first consult with a designated person before making purchases or sales.

In recent years, there has been not only a great increase in the number of pension plans but also quite a swing to that type of pension plan in which the assets are invested from time to time in other than insurance policies. This type is what is know as a "trusteed" pension plan because it involves the appointment of a trustee to hold and manage the assets of the pension plan. Such a trustee is invariably a corporate trustee. The appointment of a corporate trustee assures the safekeeping of the pension plan assets and continued preservation of them even though the plan is discontinued for any reason, and that those assets will not be commingled with ordinary corporate funds. The responsibility for a sound investment program also is usually delegated to the trustee.

Legal Background

Most of you undoubtedly know that trust investment policies in California are controlled by the so-called "Prudent Man Rule." This rule was adopted in 1943 and replaced the legal-list concept that had existed for many years. Before going into a detailed discussion of the Prudent Man Rule, it is essential, in my opinion, that we first have an understanding of the Federal and State laws and regulations under which trust departments operate. We should realize also that the investment powers granted the trustee under a trust instrument may be broader, or more restricted than those provided by the Prudent Man Rule which applies if the trust powers are not described in particular. For instance, a trust instrument may require the trustee to invest only in bonds of a certain description; or, it may authorize him to keep the trust funds invested entirely in stocks; or, it may hold him harmless in connection with the retention of any of the original assets of the trust. Many similar provisions are, of course,

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frequently encountered in trust instruments.

The general authority for a national bank to engage in the trust business in California is found in the Banking Law of the State of California and in the related provisions of the national banking laws and the Federal Reserve Act. State banks are controlled only by the State Banking Law.

The California Banking Law provides that both state and national banks must meet certain requirements before establishing a trust department. In order to qualify to handle personal trusts and court trusts, banks first must pledge bonds of certain specified amounts with the State Treasurer to insure the faithful performance of such trusts.

Regulation F of the Board of Governors of the Federal Reserve System contains the regulations under which trust departments of national banks must operate. These regulations incorporate many of the provisions of Section II (K) of the Federal Reserve Act under which the power to issue such regulations is granted. Under these regulations, the Board of Directors is responsible for the investment of trust funds by the bank, the disposition of trust investments, the supervision of the trust department, and for the review of the actions of all committees appointed by the Board for the conduct of the trust department.

The appointment of a trust investment committee is required. It must be composed of not less than three members who shall be capable and experienced officers or directors of the bank. This committee must approve all purchases, sales, exchanges, and retentions of trust investments. It must, at least once a year, review all the assets held in each fiduciary account to determine their safety and current value and the advisability of retaining or disposing of them.

The trust investment committee is required to keep minutes recording its actions on all these matters. These minutes are usually checked periodically by the bank's own auditors and by the national bank examiners. A copy of its minutes is usually presented to and approved by the Board of Directors, or its executive committee. An audit and examination of the trust department of the bank, also, must be made at least once a year by a committee of directors which shall not include any active officers of the bank.

The examination of the national bank examiners goes far beyond a review of the trust committee's minutes. The examiner must satisfy himself that all phases of the trust operation, including the investment policies, are being conducted on a sound and legal basis. Many questions on organization and conformance with rules and regulations must be answered by the examiner. Perhaps the best way to illustrate the completeness of these examinations is to read a portion of the questions asked about individual trusts.

(1) Are there on file original or properly authenticated copies of trust instruments, inventories and appraisements, and proper releases or receipts for partial or full distribution of trust assets?

(2) Are adequate history and synopsis sheets prepared for each fiduciary account and are they checked against the trust instruments by a responsible person?

(3) Are reports of account properly filed with courts and/or others entitled thereto?

(4) State whether directors' or trust committee minutes record authorization or approval of all matters of importance, including purchase and sale of trust assets.

(5) Are all trust assets reviewed promptly after appointment and periodically thereafter for the purpose of determining current value and whether or not they should be retained?

(6) State whether written asset review data are adequate.

(7) Where investments are not made or disposed of in strict accordance with State fiduciary laws, court orders or provisions of trust instruments, comment on unauthorized or illegal investments.

(8) Where the bank has discretionary powers, are sound policies followed relative to converting substandard or unsuitable assets acquired in original inventories?

(9) Specify any discretionary trusts containing investment concentrations in the obligations or equities of a single entity which might be regarded as violating sound principles of diversification.

(10) What is the bank's general policy with respect to investment percentage in common stocks?

(11) Where trust assets include substantial interests in closely held corporations, or the operation of unincorporated businesses or partnerships, do trust instruments expressly authorize retention or continuance? If not, comment on protective action taken.

(12) Do trust assets include significant holdings of securities or concerns in which directors, officers or employees are interested?

Unfavorable comment on a number of these questions would undoubtedly lead to a forced revision of trust policies. You can readily judge from all of this that the national banking authorities intend that trust duties shall be taken very seriously by a bank's board of directors and its officers. I think it is now almost universal practice for banks to give meticulous attention to their trust duties and to spare neither time nor effort in doing a capable and conscientious job for their trusts.

With that as a background, we can now turn to a discussion of the investment powers which are granted by the State of California to all trustees where investment powers are not otherwise provided by the trust instrument.

As already stated, until about ten years ago, corporate trustees in California were restricted to a so-called "legal list." Similar restrictions were in force in all but a small number of states, the most notable of which was Massachusetts where trustees had long operated under the "Prudent Man Rule." The "legal list" of securities for corporate trustees in California was comprised entirely of bonds. Briefly, it included general obligations of the United States, the State of California, and its counties, cities, school districts, and certain other districts; the general obligations of other states and their counties, cities and school districts with a population of not less than 20,000, and which had not defaulted for 25 years; bonds of foreign countries, and of railroads, public utilities, and certain municipal districts, as well as real estate bonds, if approved and certified as legal investments for savings banks and trust funds by the State Superintendent of Banks. It, also, included similar bonds and certain guaranteed stocks, if approved as investments for savings banks in New York and Massachusetts.

In the past, when good bonds and mortgages could be bought to yield from 5% to 6%, there was a great deal of logic in favor of confining trust investments to such types. The combination of safety of principal and certainty of income that they offered had a great deal of appeal. Then too, a dollar had substantially the same purchasing power this year as last. At least the changes in the price level were much slower than we have recently experienced.

However, starting in the early 1930's, these factors began to change. Many supposedly well secured bonds and mortgages defaulted and caused heavy losses. The New Deal ushered in an era of deficit financing and low interest rates. The price level began to rise and the threat of continued inflation appeared. Trust investment managers came in for a great deal of criticism from beneficiaries who were pinched by the decline in their incomes and the rise in their living costs.

No wonder then that there was a great deal of complaint in this state and elsewhere that such a legal list was too rigid and that it stressed safety of principal excessively to the detriment of the interests of life tenants. It was argued that in most trusts the beneficiaries who receive the income during their lives, or for some fixed period, are usually the trustor's surviving wife or family, or other close relatives whose maintenance and support were the trustor's first consideration. It was pointed out that in a period of declining interest rates, or rising living costs, or both, to confine investments entirely to bonds was to sacrifice the interests of such life beneficiaries for the purpose of passing on to the remainderman the estate without any decrease in value in a way that the trustor in many cases neither intended nor desired. It was contended, also, that proper diversification in many accounts could be obtained only by including stocks, as well as bonds. In more recent years, as inflation has progressed as the result of deficit financing by the U. S. Government, it also has been argued with considerable merit that well selected common stocks are the best means of preserving the purchasing power of the corpus of an estate or trust.

The "Prudent Man Investment Rule" was adopted by the California State Legislature and became effective Aug. 4, 1943 by amendment of Section 2261 of the Civil Code and the elimination of conflicting provisions in Section 105 of the Bank Act. California was among the earlier states to abandon the "legal list" principle and to adopt by statute the Prudent Man Rule for trust investments.

From 1830, when it was first stated, to 1937, only six states operated under the Prudent Man Rule, all as the result of judicial decisions. Beginning with its adoption in that year by Michigan, the number has rapidly increased and there are now twenty-four states that follow the Prudent Man Rule in unrestricted form. In addition, ten other states have adopted it in modified or limited form, the most prominent of which was New York. This leaves only fifteen states that still limit trustees to investments in bonds and similar types of investments. As investment men, you undoubtedly are going to hear a lot about the Prudent Man Rule in the years ahead.

This rule was first laid down by the Massachusetts Supreme Judicial Court in 1830 in the case of Harvard College vs. Amory. Trustees in Massachusetts have been operating under this rule for the 122 years that have followed. In this famous case, Mr. Justice Putnam, in deciding that trustees could buy stocks of banks, insurance companies, and mill manufacturing enterprises, stated the rule as follows: "All that can be required of a trustee to invest is that he conduct himself faithfully and exercise a sound discretion. He is to observe how men of prudence, discretion, and intelligence manage their own affairs, not in regard to speculation, but, in regard to the permanent disposition of their funds, considering the probable safety of the capital to be invested."

In adopting the Prudent Man Rule, the California Legislature passed, with only minor variations in wording, a Model Prudent Man Investment Rule Statute prepared by the Trust Division of the American Bankers Association. This Model Statute, in turn, practically incorporated the exact wording of the rule as stated by Justice Putnam. This was done in order to secure the benefit of well over a century of court decisions that have ensued.

The California Prudent Man Rule reads as follows:

"In investing, reinvesting, purchasing, acquiring, exchanging, selling, and managing property for the benefit of another, a trustee shall exercise the judgment and care, under the circumstances then prevailing, which men of prudence, discretion, and intelligence exercise in the management of their own affairs, not in regard to speculation, but in regard to the permanent disposition of their funds, considering the probable income, as well as the probable safety of their capital. Within the limitations of the foregoing standard, and subject to any express provisions or limitations contained in any particular trust instrument, a trustee is authorized to acquire every kind of property, real, personal or mixed, and every kind of investment, specifically including, but not by way of limitation, corporate obligations of every kind, and stocks, preferred or common, which men of prudence, discretion, and intelligence acquire for their own account."

The California statute also contains the following very important paragraph regarding the retention of trust assets which was taken from the Model Statute and follows the court decisions in Massachusetts:

"In the absence of express provisions to the contrary in the trust instrument, a trustee may continue to hold property received into a trust at its inception or subsequently added to it, or acquired pursuant to proper authority, if and so long as the trustee, in the exercise of good faith and of reasonable prudence, discretion and intelligence, may consider that retention is in the best interests of the trust."

The California Statute, in the absence of provisions in the trust to the contrary, authorizes trustees to deposit trust funds in savings banks up to the maximum covered by Federal Deposit Insurance Corporation insurance. It also states that nothing in the statute shall abrogate or restrict the power of the appropriate court in proper cases to direct or permit the trustee to deviate from the terms of the trust regarding the making or retention of investments.

The California Statute also contains the following language regarding application of the Prudent Man Rule to previously existing trusts, as well as to those created subsequent to its enactment:

"The provisions of this section shall apply to all trusts now existing or hereafter created. Where, in trusts now existing or hereafter created, the term 'investments permissible by law for investment of trust funds,' or 'authorized by law for investment of trust funds,' 'legal investments' or 'authorized investments,' or other words of similar import are used in defining the powers of the trustee relative to investments, such language, in the absence of other controlling or modifying provisions of the trust instrument, shall be construed as authorizing any investment permitted by the terms of subdivision (1) of this section."

No important court decisions have taken place in California since its adoption of the Prudent Man Rule to indicate whether the California courts will treat trustees as considerately as they have long been treated by the Massachusetts courts. Justice Putnam, in the concluding paragraph of the same decision in which he laid down the Prudent Man Rule, also described the manner in which trustees should be considered by the courts in the following words:

"Trustees are justly and uniformly considered favorably, and it is of great importance to bereaved families and orphans that they should not be held to make good losses in the depreciation of stocks or in general of the capital itself, which they held in the trust, provided they conduct themselves honestly and discreetly and carefully, according to the existing circumstances, in the discharge of their trusts. If this were held otherwise, no prudent man would run the hazard of losses which might happen without any lack or breach of good faith."

Investing Under the Prudent Man Rule

Having covered the legal aspects, we can now turn to a discussion of some of the things that a trustee may do under the Prudent Man Rule and others that he may not do.

"A trustee shall conduct himself faithfully." This means that a trustee must not profit in any way at the expense of the beneficiary. He should not purchase trust property for his own account, or sell to the trust anything which he owns. He must act for the benefit of the trust and must be frank and fair and not conceal material facts. He cannot take commissions in buying or selling securities for the trust. His compensation must be limited to that provided by the trust instrument. All these prohibitions, as well as additional safeguards, are now included in Regulation F.

The words "manage" and "management" frequently creep into the discussions of the Prudent Man Rule. They are significant words and impose many duties on trustees. They mean, among other things, that a trustee must be prudently active in the performance of his duties. He must not delegate his authority or become a rubber stamp for other co-trustees. He must take action when necessary to protect the assets, or rights, of the trust. He must keep the funds of the trust safely and productively invested. He cannot leave trust funds uninvested for an unreasonable length of time. He must be alert to adverse changes in particular industries and in individual companies and dispose of securities when undesirable trends appear.

In the absence of specific authorization in the trust instrument, it is questionable if a trustee has the right to hire and rely on investment counsel. The duty to manage the trust, as well as the duplication in management costs, seem to be in conflict with such an arrangement. It is hoped that, either by statute or court decision, this right eventually will be given to trustees. These same reasons also make it doubtful if a trustee can buy shares of an investment trust. There recently have been court decisions in Oklahoma and Ohio holding that the purchase of such shares is not an unwarranted delegation of authority. During the last few years, five states have added a clause to their Prudent Man statutes authorizing the purchase of "securities of an open-end or closed-end management type of investment company or investment trust registered under the Federal Investment Company Act of 1940, as from time to time amended." However, California recently defeated a bill to accomplish this purpose. The purchase of shares

in long-established and soundly operated investment trusts for many small trust funds would seem to be a desirable means of affording them a properly diversified interest in stocks which would be difficult or impractical to secure otherwise. However, until this question is settled by court decision or by legislative action, most trustees in California probably will continue to avoid the purchase of investment trust shares.

The trustee is required to exercise a "sound discretion." This has been interpreted by the Massachusetts courts to mean that a trustee should not invest a disproportionate amount of the capital of the trust in one asset, particularly if it is of a hazardous nature. Sound discretion undoubtedly requires that a trustee diversify the trust investments. The courts have avoided fixing a limit on the percentage that may be invested in any one asset, recognizing that this will vary with the circumstances prevailing. A small trust of a few thousand dollars created to provide a child with a college education might well be invested under certain conditions in one government bond issue maturing at about the time the funds will be required. On the other hand, a large trust fund should undoubtedly be well diversified.

The principles of sound diversification are well covered by various text books on investments. Generally speaking, a diversification or spacing of bond maturities should be sought. Over-concentration in bonds of one creditor, one industry, or one area should be avoided. The tax status of the larger accounts must be studied to determine the amount of tax-free municipal bonds it is desirable to hold.

The principles of diversification apply also, of course, to the purchase off preferred stocks. The amount invested in preferred stocks by trustees usually is of rather minor proportions. This may be due to the fact that in the past there has not been a very large number of definitely high-grade preferred stocks to choose from. In some cases, it may also be due to the fact that some trustees feel preferred stocks have too frequently had their dividends discontinued in bad times and been forced subsequently by the common stockholders to compromise their right to unpaid accumulations of preferred dividends in order to bring about their resumption. However, the recent practice of providing better protective restrictions and, more particularly, of incorporating substantial sinking fund provisions, have made some of the new issues of preferred stock more attractive to trustees.

The principles of diversification, of course, should be carefully observed in connection with investments in common stocks since it is in this field that the greatest hazards are encountered. Many trustees establish rules such as that not more than 5% of the total value of a trust fund shall be invested in one stock, nor more than 20% in the stocks of one industry.

In the selection of investments, it should be noted that a trustee must exercise the judgment and care, under the circumstances then prevailing, which men of prudence, discretion and intelligence exercise in the management of their own affairs. A separate standard of prudence and discretion is not established for trustees. To do so would be to go in circles and might mean that trustees would become progressively more conservative and the flexibility of the prudent man standard would thus be destroyed eventually.

However, the judgment and care which a trustee must exercise is not the same that a prudent man might employ in the management of his own property if he had only himself to consider. A prudent man may, and often does, decide that the possibilities of profit in connection with the purchase of a certain speculative security far outweigh its possibilities for loss and that he can afford to assume the risks involved. In such a case, it may be sound judgment for him to buy a properly limited amount of it. Whether he gains or loses on the transaction is nobody's business but his own.

But for a trust, speculations are "verboten." Trust funds have been regarded for generations as sacred in character and risks of losing them must be scrupulously avoided. The sound view of the prudent man rule is that a trustee must exercise the judgment and care that in "general prudent men of discretion and intelligence in *such matters* employ in their own *like affairs.*" This suggests that the courts mean that a trustee should select the type of investments that a prudent man would select in arranging his estate so as to provide for his dependents in case of his death or to take care of his own and his family's requirements after his retirement from business. A trustee is not required to exercise greater care and judgment than other prudent men, but he must utilize his judgment in avoiding risks which one who owes no duty to others is free to take.

More specifically, trustees must not be carried away by a speculative wave and allow their expectations of short-term profits to run away with their sound judgment based upon experience during both good and bad times. The term "speculation," of course, is difficult to define. It is very easy to beg the question and condemn a stock or bond by calling it speculative. However, this feature of the prudent man rule does not cause as much trouble for a trustee as one might anticipate. Bonds and stocks are generally classified by both the public and securities men into three groups. These groups are frequently referred to by various names such as "high grade, medium grade, and low grade," or "investment caliber," "businessmen's investments," and "speculations." Regardless of the terms used, these classifications indicate that there are certain bonds and stocks which are widely recognized as having high investment merit and as being suitable for investment by prudent and cautious investors; that there is another group of bonds and stocks which is equally well recognized as lacking investment quality and as being predominantly speculative in character; and that there is a large intermediate group of bonds and stocks in which the relative proportions of investment security and risk vary considerably.

The Prudent Man Rule requires trustees to avoid the purchase of bonds or stocks which are low grade or speculative in character. Now what the trustee does is to confine his purchases of securities to bonds and stocks which are clearly high grade, or of investment caliber. However, in the case of certain trusts, particularly large ones, some trustees will also purchase discreet amounts of securities in the middle group if they feel the security has definite, although not so widely recognized, investment quality.

In the purchase of common stocks, a trustee undoubtedly should select those with established earning and dividend records. Common stocks of companies and industries that also enjoy exceptionally good growth trends are especially sought because the growth factor tends to increase the safety of the capital. Stocks affording a large current return, but with an erratic earning and dividend record, should be avoided. Stocks of companies engaged in the exploitation of wasting assets, such as most mining and timber companies, should not be bought as this would impair the capital of the trust over a period of time. However, there seems to be no reason why high-grade stocks of oil companies with large reserves, active exploration departments, and proper depletion accounting should not be bought.

While the practices vary considerably, a trust department will usually develop a so-called "authorized" or "guidance" list of bonds and preferred and common stocks which its analysts and trust investment committee consider suitable for the investment of trust funds. Issues are removed and added to this list from time to time. Sometimes, a supplementary list is maintained consisting of securities of smaller or younger companies, or of less well-known obligors, which may be purchased in smaller amounts for certain trusts. Lists of this kind are necessary to expedite the investment work of preparing recommendations for investment by the various men in the department and to reasonably limit the number of issues that must be watched and studied by its analysts. The use of these lists varies considerably. Some trust departments use such a list only for preparing recommendations and require all purchases to be first authorized by the trust investment committee. In some places, bonds and preferred stocks on the list may be purchased with the approval of a department head and are approved by the investment committee later. Frequently, the common stocks on the list can be purchased for an account only if first approved by the trust investment committee. It is seldom that all the securities included on a guidance list will be purchased at any given time.

Current purchases will be confined usually to a much smaller group that are considered to be the more desirable because of the level of the market, the outlook for the particular industry, or other reasons.

The prohibition against speculation in the handling of trust funds also applies to transactions which are speculative in character. An existing margin account taken over as a trust asset must be closed out. "In and out" transactions in the stock market to try to take advantage of short-term market fluctuations, smart "free rides" on "hot issues," and the practice by some individuals of financing subscriptions to government bonds with borrowed money, are all speculative in nature and should be avoided by a trustee. Trustees must consider the probable income, as well as the probable safety of the capital to be invested. It seems clear that this requirement would rule out the purchase of defaulted bonds and non-dividend paying preferred and common stocks despite whatever other attractions they may have. Attractive "workout" or "liquidation" situations are not for a trustee to buy.

However, the obligation of the trustee to consider both income and safety of principal is more far-reaching in its effects. This requirement is especially important during this period of low interest rates in trusts where there is a conflict between the recipient of the life income and the remainderman. Excessive caution in the purchase of stocks may unnecessarily penalize the life tenant, while an excessive holding of stocks may be injurious to the interests of the remainderman.

This requirement, as well as the need to exercise sound judgment and discretion, requires the trustee to treat each trust account as an individual problem and to plan an overall investment program suitable for it. The portion which should be placed in stocks may vary greatly, depending upon the nature of the account. A trustee holding a trust of say $100,000, the income from which is payable to a surviving wife during her lifetime and which constitutes the sole source of support for her and her minor children, is likely to be under pressure to not invest too much in bonds, but to invest the maximum in stocks with stable dividend paying records. On the other hand, a large trust providing ample income for the beneficiary from high-grade bonds may have no reason to incur risks by the purchase of stocks except when they are clearly at bargain levels.

Trustees usually try to keep not more than half of a trust's capital invested in common stocks. They believe that a larger proportion of common stocks is apt to cause too wide a fluctuation in the income, as well as the value of the trust assets. However, continued inflation in recent years has resulted in the more liberal use of common stocks than was customary previously. Also, as a result of the rise in stock prices and the continued pressure of beneficiaries to use them to a greater extent, numerous trust accounts now are somewhat over-invested in stocks. It is difficult to cut back such holdings so long as a possibility of further inflation remains.

The obligation to consider both income and the probable safety of principal also raises the question of at what price level a trustee should cease to buy a particular stock and at what market level, if any, he should cease to buy all stocks. The question also arises as to whether a trustee should sell stocks when they become much over-priced. These are, perhaps, the most difficult problems for any trustee to decide. It should be recognized, of course, that it is often necessary to continue to buy some common stocks at high prices, just as it has been necessary for many years to buy high-priced bonds in order to keep trust funds productively invested. However, this problem is not peculiar to the trustee, since all investors and security men must face it. As one shrewd Massachusetts judge has observed "The course of a market is notoriously hard to discover, except in retrospect. At every level, skilled observers are apt to disagree as to its probable course."

In respect to this problem, all a trustee can do is to try to exerrise sound judgment, taking into consideration the terms and requirements of the trust, as well as the circumstances prevailing at the time. Trustees should become increasingly cautious about purchasing common stocks as the market climbs to high levels and to favor, if possible, the creation of additional buying reserves by the sale of the weaker and the more cyclical or over-priced stocks and by reinvestment of the proceeds in prime-quality bonds. They must realize that although the top of a bull market is very hard to recognize at the time it occurs, unless buying reserves are created by some judicious selling during its latter stages, it will not be possible to take advantage of the bargains that the subsequent bear market always affords. The fact that certain stocks were purchased as a "permanent disposition" of funds is not a sound reason for holding them indefinitely if their prospects change, if the funds can be used more productively or safely in other securities, or if they become substantially over-priced.

While the value of economic studies and data cannot be doubted, the importance of realizing and meeting the psychological hurdles that are involved in achieving good timing in investment purchases and sales should not be minimized. It takes much less courage to buy when the market is high or to sell when it is low because that is what most people are then doing. If the trustee is going to be right, he must not expect much company when he decides to sell or to buy. At the top of the market, stocks frequently sell on hopes and expectations and people then tell you that you haven't seen anything yet. At the bottom of the market, stocks often sell far below their intrinsic values because of fears and of forced liquidation. At such times, people will give you plenty of reasons why stocks will go lower and why the bottom is going to drop out of things. Trustees and other investment advisors have to train themselves to overcome these psychological hurdles and to look forward to high markets as an opportunity to weed out the less desirable holdings in their accounts, to invest the proceeds in high-grade bonds, to wait until the subsequent bear market has about run its course, and then to have the courage to start buying again. Such investment timing is hard to achieve but the chances of success are much improved if all the aspects of the problem are faced.

The question of when to sell substandard securities originally deposited in a trust in order to invest in securities that are on the trustee's guidance list involves similar problems in market timing. If the securities that are to be sold are not depressed in relation to the general market level then prevailing, one time is as good as another to make such a switch, and usually the sooner it is done the better. The same thing is true respecting sales to reduce any over-concentrations.

It often happens, of course, that such changes can be made immediately only at a sacrifice. In such cases, the trustee must decide whether the prospects for the securities that he wishes to eliminate justify his holding them for a better switching opportunity. These decisions frequently call for considerable skill, patience and courage. In these situations, the trustee can console himself that every investment advisor must make similar decisions and all that is required of him is that he exercise reasonable prudence, discretion and intelligence in deciding what he shall do.

Common Trust Funds

The trend toward the liberalization of the investment powers of trustees has brought about also a growing use of common trust funds by corporate trustees. To some extent, this is a more revolutionary development than the adoption of the Prudent Man Rule because such funds violate the long-established principle that the assets of one trust must not be commingled with those of another. To make common trusts possible, it was necessary for the states to pass enabling statutes, Regulation F of the Federal Reserve Board had to be revised to cover the operation of such funds, and the Federal tax laws had to be amended in order to avoid double taxation by providing that common trust funds would not be considered to be corporations. California is one of the 38 states that have authorized common trust funds.

There are two kinds of common trust funds — discretionary and legal. A discretionary common trust fund, as its name applies, has broad investment discretion such as that granted under the Prudent Man Rule. This is the kind used in California. A legal common trust fund, on the other hand, is restricted in its investment powers and is designed for trusts that do not grant broad discretionary investment powers, or that are controlled by state laws that provide for a legal list or only a specified percentage of stocks.

Although the maximum participation in a common trust fund is

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limited under Regulation F to $100,000, such funds are intended primarily for small trusts. The handling of many small trusts by means of a common trust fund makes it possible to provide them with greater diversification and better supervision and administration. It is claimed that they effect a saving in operating costs and thus make it possible to handle small trusts that otherwise would be undesirable. A survey made not many years ago by the American Bankers Association showed that 54% of a total of 144,000 trusts administered by the trust institutions included in the survey had an annual income of less than $1,200; about 73% had not more than $3,000 of income and averaged $788 a year; not quite 3% had an annual income of $25,000. In view of these figures, the growth in total assets held by common trust funds is not surprising. In July, 1951, the American Bankers Association estimated that the total assets of such funds were approximately $600,000,000, comprised of participations of nearly 40,000 individual trusts.

Pension Funds

Because of their size and growth, trusteed pension funds merit special discussion. Since 1942, when changes in the Internal Revenue Code gave them important tax advantages, private pension plans have increased in number from about 1,000 to 14,000, and now cover nearly 10 million people. It is estimated that about $2 billion a year are being contributed to such plans, of which at least half goes to trusteed plans. Most of the large trusteed pension funds are now being handled by the trust departments of the big Eastern and Middle Western banks but an increasing number of the smaller ones are being handled locally.

Until a few years ago, fixed income securities, such as bonds and mortgages, were considered to be the only proper investments for such funds since the actuarial liabilities they were designed to meet were also in fixed dollar amounts; however, during recent years, there has been a swing toward the use of preferred and common stock as investments. This has been brought about by the desire of management to earn a better rate than that afforded by high-grade bonds. It has been estimated that an increase of one-half of 1% in the rate earned on contributions to the pension fund will reduce its ultimate cost by about 12% to 14%.

The use of stocks as investments for trusteed pension funds now seems to be predicated on the belief that since newly established pension funds may be expected to grow for many years, if not more than 25% to 50% of such funds are invested in stocks each year on a "dollar averaging" basis, it will never be necessary to sell stocks in a depressed market. How advantageous stock purchases will prove to be remains to be seen. Will the spread in yield in favor of stocks continue; will the trustees have the courage to continue placing the same percentage of the annual contributions in stocks during bad times; will the supervisory authorities continue to permit such investments to be valued at cost for actuarial purposes regardless of their market values? The investment each year of a limited portion of pension fund contributions in stocks seems sound and desirable, but this innovation is yet to be tested by bad times.

Summary

The general approach used in dealing with trust investment problems is very similar to that used in developing and maintaining an intelligent and well balanced investment program for an ordinary investor. The same basic background information is needed regarding the financial status and requirements of the beneficiaries of each trust. But, in addition, it is essential to look at the terms of each trust to see what investment powers or restrictions the trust instrument contains so that the trustee will know what kind of investments he can make, or is prohibited from making. In California, he must be acquainted, also, with the so-called "Prudent Man" rule of law which controls the investments of those trusts which do not contain a specific grant of other investment powers. If the trust is handled by a bank, it is necessary, also, to have a knowledge of the banking regulations which control bank trust departments. Above all, the trustee must be scrupulously honest, he must not speculate, and he must exercise sound discretion in buying, selling or holding trust investments.

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needed actions to improve Government organization and management is now a regular and continuing part of the process of preparing and administering the Federal Budget. Reorganization plans transmitted under the Reorganization Act of 1949 have made a number of far-reaching improvements in providing officials of the executive branch with more effective organization and more adequate authority to do their jobs. I believe it will be found to be most desirable to extend the authority in that act, which expires April 1, 1953, as one of the steps needed to assure continued progress in increasing the efficiency with which the executive branch is managed.

Tax Policy

I have always held that the Government's fiscal policy should aim at promoting the stable growth of our economy. This means that normally in times of high employment and rising national income the Federal Government should operate with a balanced Budget.

In the years following the end of World War II, when the economy was operating at a full-employment level, my Budget Messages called for balanced budgets and debt reduction. During the four fiscal years 1947 through 1950, the Government had an over-all net surplus of 4.3 billion dollars.

After the outbreak of hostilities in Korea, I recommended that we finance our rearmament effort on a pay-as-we-go basis. In response to my recommendations, the Congress raised tax rates in 1950 and again in 1951. These tax increases were substantial. They helped produce a Budget surplus in the fiscal year 1951, but they have not met our subsequent revenue requirements. The fiscal year 1952 ended with a deficit of 4 billion dollars. A deficit of 5.9 billion dollars is now estimated for the current fiscal year. An even larger deficit, 9.9 billion dollars, is estimated for the fiscal year 1954.

Under present law, a number of the tax increases enacted in 1950 and 1951 will terminate in 1953 and 1954. The excess profits tax on corporations is scheduled to expire on June 30, 1953. Under the Revenue Act of 1951, the rate increases on individuals' income will terminate on Dec. 31, 1953, and the increases in normal rates on corporations' income will expire on March 31, 1954. Virtually all of the excise tax rate increases under this act will also expire on March 31, 1954. The purpose of the Congress in setting termination dates was to assure early review of the tax increases enacted after Korea. Responsibility for this review falls on this session of the Congress.

If the increases are allowed to expire as scheduled, the Government will lose about 2 billion dollars in revenue in the fiscal year 1954. The full effect of the expirations will be an annual revenue loss of approximately four times this amount.

The continuing increase in expenditures for national security and the prospect of a substantial deficit in the fiscal year 1954 pose an immediate and serious problem in tax policy. While I do not wish to make any specific recommendations, I do wish to make it clear that in my judgment it would not be wise to plan for a large Budget deficit during a period when business activity, civilian employment, and national income are reaching unprecedented heights. The course of prudence and wisdom would be to continue to strive for a balanced Budget and a pay-as-we-go policy in our rearmament program.

In its consideration of the level of tax rates, I hope the Congress will also give serious consideration to improving the equity of the tax system. The injustices and loss of revenue arising out of loopholes in the tax laws should be eliminated. Confidence in the equity of tax laws is essential in a democracy.

Budget Receipts

The following table shows the source of estimated Budget receipts for the fiscal year 1954, compared to revised estimates of receipts for the current fiscal year and actual receipts for the fiscal year 1952. The estimates for 1954 are based on present tax laws.

Borrowing and the Public Debt

On the basis of the present fiscal outlook and existing tax laws, the public debt is expected to increase from $259 billion at the beginning of the current fiscal year to about $264 billion by June 30, 1953, and $274 billion by June 30, 1954.

Last spring substantial revisions both from the standpoint of increased rate and increased intermediate yields were announced in the savings bond program, designed to put these widely held issues on a basis more nearly comparable with alternative investments. Holders of almost three-quarters of the maturing savings bonds are taking advantage of the new arrangements under which interest continues to accrue on bonds not presented for cash redemption at maturity.

Expenditures and Authorizations by Major Function

The following table shows estimated expenditures and recommended new obligational authority for the fiscal year 1954, classified by major function. It also compares estimated expenditures in the fiscal year 1954 with revised estimates for the current fiscal year and with actual expenditures in 1952. A more detailed breakdown of expenditures and new obligational authority by major function is contained in Special Analysis B, in part IV of this document.

The estimates for 1954 include several hundreds of millions of dollars of receipts, authorizations, and expenditures relating to foreign credits and currencies for which no comparable figures appear in the 1952 and 1953 totals.

Until now foreign credits and currencies have been available to certain agencies without the normal processes of budgeting. Recent legislation requires that foreign credits be budgeted and reported in the same manner as regular funds of the Government. This step is desirable in order to obtain adequate control over the use of such credits, to promote effective utilization of the foreign credits on hand or otherwise available in lieu of dollars, and to make full disclosure of the Government's financial operations in the Budget totals.

Accordingly, this Budget includes appropriation estimates for the dollar equivalent of the agencies' estimated use of foreign currencies in 1954. The appropriations would be used to purchase foreign currencies from the Treasury as they are required for expenditure. These transactions will add the same amount to both Budget receipts and expenditures, and will therefore have no effect on the deficit.

Military Services

This year we are budgeting for the fourth fiscal year following the attack on Korea. During the past 30 months, we and our allies of the United Nations have been fighting and holding the Communist aggressors. In addition, we have been expanding our armed forces toward larger goals — 21 Army divisions, 3 Marine divisions, a Navy of 408 combatant ships with air support, and an Air Force of 143 wings. This is an expensive program, but our national security depends on it. We cannot afford to lower these goals until the free world is secure against the Communist menace.

In order to appraise properly the budgetary impact of our rearmament program, it is necessary to examine the four fiscal years 1951 through 1954 as a single time span, and to bear in mind the relationship between new obligational authority and expenditures. In the fiscal year 1951, new obligational authority for the military functions of the Department of Defense totaled $48.2 billion, and in 1952 it reached $60.3 billion. In the current fiscal year, it is expected to drop to $48.1 billion, and I am recommending a further reduction to $41.2 billion for 1954.

Because of the long lead-time involved in military procurement, expenditures for most types of weapons and equipment occur many months after the Congress has enacted the authority for their purchase. Thus, as a result of the 1952 peak of new obligational authority, expenditures are expected to reach their peak in the fiscal year 1954. If we maintain the force level I am recommending in this Budget, expenditures for the military functions of the Department of Defense should begin to decline in the fiscal year 1955 and should continue to decline until they reach the level required to keep our armed forces in a state of readiness. On the basis of present rough estimates, that level may be in the neighborhood of $35 to $45 billion annually.

In addition to the military functions of the Department of Defense, the military services category includes certain supporting activities such as the stockpiling of strategic and critical materials, the research programs of the National Advisory Committee for Aeronautics, and the Selective Service System. Expenditures for all programs in the military services category are estimated at $46.3 billion in the fiscal year 1954. This is an increase of $1.9 billion over 1953 and $6.6 billion over 1952.

Budget Receipts
(Fiscal Years—In Millions)

Item—	1952 Actual	1953 Estimated	1954 Estimated
Direct taxes on individuals:			
Individual income taxes	$29,880	$33,551	$33,394
Estate and gift taxes	833	895	940
Direct taxes on corporations:			
Income and excess profits taxes	21.467	23,700	23,300
Excises	8,893	9,795	9,869
Customs	550	590	590
Employment taxes:			
Federal Insur. Contributions Act	3,569	4,000	4.298
Federal Unemployment Tax Act	259	271	280
Railroad Retirement Tax Act	735	650	660
Railroad Unemployment Insur. Act	10	11	11
Miscellaneous receipts	1,803	1,745	2.180
Deduct:			
Appropriation to Federal old-age and survivors insur. trust fund	—3,569	—4,000	—4,298
Refunds of receipts	—2,302	—2,511	—2,559
Budget receipts	62,128	68,697	68,665

Expenditures and Authorizations By Major Function
(Fiscal Years—In Millions)

Function—	Expenditures 1952 Actual	Expenditures 1953 Estimated	Expenditures 1954 Estimated	Recommended New Obligational Authority for 1954
Military services	$39,727	$44,380	$46,296	$41,535
Internat. secur. & foreign relations	5,268	6,035	7,861	8,011
Finance, commerce, & industry	241	458	275	88
Transportation and communication	1,923	2,056	2,016	2,061
Natural resources	2,948	3,370	4,097	3,459
Agricul. & agricultural resources	1,045	1,943	1,827	1,455
Labor	243	252	268	278
Housing & community development	735	757	509	691
Eudcation & general research	171	272	288	177
Social security, welfare, & health	2,491	2,594	2,579	2,563
Veterans' services & benefits	4,863	4,546	4,564	4,617
General government	1,411	1,385	1,547	1,478
Interest	5,934	6,520	6.420	6.420
Reserve for contingencies	----	25	40	50
Adjust. to daily Treas. statement	—855	----	----	----
Total	66,145	74,593	78,587	72.883

Indications of Current Business Activity

The following statistical tabulations cover production and other figures for the latest week or month available. Dates shown in first column are either for the week or month ended on that date, or, in cases of quotations, are as of that date:

		Latest Week	Previous Week	Month Ago	Year Ago
AMERICAN IRON AND STEEL INSTITUTE:					
Indicated steel operations (percent of capacity)	Jan. 18	§99.4	98.2	107.7	100.3
Equivalent to—					
Steel ingots and castings (net tons)	Jan. 18	§2,240,000	2,213,000	2,236,000	2,083,000
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output—daily average (bbls. of 42 gallons each)	Jan. 3	6,515,950	6,594,200	6,476,550	6,186,700
Crude runs to stills—daily average (bbls.)	Jan. 3	¶7,221,000	7,077,000	6,809,000	6,803,000
Gasoline output (bbls.)	Jan. 3	24,306,000	24,023,000	23,518,000	22,354,000
Kerosene output (bbls.)	Jan. 3	2,975,000	3,054,000	2,894,000	2,865,000
Distillate fuel oil output (bbls.)	Jan. 3	10,955,000	11,024,000	10,216,000	10,478,000
Residual fuel oil output (bbls.)	Jan. 3	9,524,000	8,653,000	8,785,000	9,598,000
Stocks at refineries, bulk terminals, in transit, in pipe lines—					
Finished and unfinished gasoline (bbls.) at	Jan. 3	137,016,000	134,425,000	129,470,000	135,344,000
Kerosene (bbls.) at	Jan. 3	27,266,000	*27,790,000	31,142,000	26,417,000
Distillate fuel oil (bbls.) at	Jan. 3	100,461,000	103,685,000	114,362,000	84,996,000
Residual fuel oil (bbls.) at	Jan. 3	49,459,000	43,662,000	50,658,000	43,158,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	Jan. 3	563,065	520,671	719,159	610,116
Revenue freight received from connections (no. of cars)	Jan. 3	511,981	587,334	642,022	563,689
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	Jan. 8	$323,666,000	$185,038,000	$264,618,000	$266,707,000
Private construction	Jan. 8	135,062,000	83,083,000	126,482,000	138,400,000
Public construction	Jan. 8	188,604,000	101,955,000	138,136,000	128,307,000
State and municipal	Jan. 8	117,758,000	80,572,000	84,816,000	77,511,000
Federal	Jan. 8	70,846,000	21,383,000	53,320,000	50,796,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	Jan. 3	7,650,000	*6,520,000	10,035,000	9,195,000
Pennsylvania anthracite (tons)	Jan. 3	507,000	489,000	746,000	763,000
Beehive coke (tons)	Jan. 3	91,500	*93,600	94,800	136,100
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1947-49 AVERAGE = 100	Jan. 3	82	146	195	78
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	Jan. 10	8,185,429	7,713,155	8,140,257	7,665,64[illegible]
FAILURES (COMMERCIAL AND INDUSTRIAL) — DUN & BRADSTREET, INC.	Jan. 8	163	89	157	16[illegible]
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	Jan. 6	4.376c	4.376c	4.376c	4.131[illegible]
Pig iron (per gross ton)	Jan. 6	$55.26	$55.26	$55.26	$52.[illegible]
Scrap steel (per gross ton)	Jan. 6	$42.00	$42.00	$42.00	$42.0[illegible]
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	Jan. 7	24.200c	24.200c	24.200c	24.200[illegible]
Export refinery at	Jan. 7	34.875c	34.700c	34.125c	27.425c
Straits tin (New York) at	Jan. 7	121.500c	121.500c	121.500c	103.000[illegible]
Lead (New York) at	Jan. 7	14.500c	14.750c	14.000c	19.000[illegible]
Lead (St. Louis) at	Jan. 7	14.300c	14.550c	13.800c	18.800[illegible]
Zinc (East St. Louis) at	Jan. 7	13.000c	12.500c	12.500c	19.500[illegible]
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	Jan. 13	95.85	95.86	96.82	96.10
Average corporate	Jan. 13	109.24	109.42	109.79	108.52
Aaa	Jan. 13	113.12	113.50	113.70	113.12
Aa	Jan. 13	111.62	112.00	112.37	111.81
A	Jan. 13	108.88	108.88	109.06	107.09
Baa	Jan. 13	103.97	103.97	104.14	102.30
Railroad Group	Jan. 13	106.74	106.74	107.09	103.97
Public Utilities Group	Jan. 13	109.06	109.24	109.60	108.70
Industrials Group	Jan. 13	112.37	112.37	112.56	112.93
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	Jan. 13	2.79	2.80	2.72	2.70
Average corporate	Jan. 13	3.21	3.20	3.18	3.2[illegible]
Aaa	Jan. 13	3.00	2.98	2.97	3.00
Aa	Jan. 13	3.08	3.06	3.04	3.07
A	Jan. 13	3.23	3.23	3.22	3.33
Baa	Jan. 13	3.51	3.51	3.50	3.61
Railroad Group	Jan. 13	3.35	3.35	3.33	3.51
Public Utilities Group	Jan. 13	3.22	3.21	3.19	3.24
Industrials Group	Jan. 13	3.04	3.04	3.03	3.01
MOODY'S COMMODITY INDEX	Jan. 13	403.7	408.7	405.8	4[illegible]
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	Dec. 31	‡342,725	178,124	188,958	**179,761
Production (tons)	Dec. 31	‡259,914	242,594	228,894	**151,952
Percentage of activity	Dec. 31	‡66	96	91	**40
Unfilled orders (tons) at end of period	Dec. 31	‡478,354	441,659	457,365	**358,720
OIL, PAINT AND DRUG REPORTER PRICE INDEX—1949 AVERAGE = 100	Jan. 9	108.50	108.50	109.05	114.58
STOCK TRANSACTIONS FOR ODD-LOT ACCOUNT OF ODD-LOT DEALERS AND SPECIALISTS ON N. Y. STOCK EXCHANGE — SECURITIES EXCHANGE COMMISSION:					
Odd-lot sales by dealers (customers' purchases)—					
Number of orders	Dec. 27	21,368	28,426	19,632	23,777
Number of shares	Dec. 27	624,121	840,614	548,682	669,151
Dollar value	Dec. 27	$26,891,345	$37,137,351	$25,125,125	$30,372,989
Odd-lot purchases by dealers (customers' sales)—					
Number of orders—Customers' total sales	Dec. 27	23,409	32,759	18,101	18,589
Customers' short sales	Dec. 27	88	125	110	91
Customers' other sales	Dec. 27	23,321	32,634	17,991	18,498
Number of shares—Total sales	Dec. 27	681,537	928,636	489,697	545,268
Customers' short sales	Dec. 27	2,576	4,283	3,776	3,230
Customers' other sales	Dec. 27	678,961	924,353	485,921	542,038
Dollar value	Dec. 27	$27,115,753	$36,592,464	$19,946,318	$22,433,856
Round-lot sales by dealers—					
Number of shares—Total sales	Dec. 27	229,990	359,783	149,240	159,420
Short sales	Dec. 27	------	------	------	------
Other sales	Dec. 27	229,990	359,763	149,240	159,420
Round-lot purchases by dealers—					
Number of shares	Dec. 27	182,520	266,671	220,310	268,460
TOTAL ROUND-LOT STOCK SALES ON THE NEW YORK EXCHANGE AND ROUND-LOT STOCK TRANSACTIONS FOR ACCOUNT OF MEMBERS (SHARES):					
Total Round-lot sales—					
Short sales	Dec. 20	235,670	240,290	154,610	198,390
Other sales	Dec. 20	9,819,050	9,974,940	4,691,310	7,473,060
Total sales	Dec. 20	10,054,720	10,215,230	4,845,920	7,671,450
ROUND-LOT TRANSACTIONS FOR ACCOUNT OF MEMBERS, EXCEPT ODD-LOT DEALERS AND SPECIALISTS:					
Transactions of specialists in stocks in which registered—					
Total purchases	Dec. 20	956,120	1,011,180	479,350	753,360
Short sales	Dec. 20	152,140	143,090	85,530	114,770
Other sales	Dec. 20	786,700	763,640	412,860	589,500
Total sales	Dec. 20	938,840	906,730	498,390	704,270
Other transactions initiated on the floor—					
Total purchases	Dec. 20	246,500	314,900	74,700	165,390
Short sales	Dec. 20	6,500	9,800	10,900	5,700
Other sales	Dec. 20	258,940	263,820	74,400	158,440
Total sales	Dec. 20	265,440	273,620	85,300	164,140
Other transactions initiated off the floor—					
Total purchases	Dec. 20	407,353	358,200	175,745	281,749
Short sales	Dec. 20	30,440	39,550	17,690	33,070
Other sales	Dec. 20	362,937	342,149	228,317	374,039
Total sales	Dec. 20	393,377	381,699	246,007	407,109
Total round-lot transactions for account of members—					
Total purchases	Dec. 20	1,609,973	1,684,280	729,795	1,200,499
Short sales	Dec. 20	189,080	192,440	114,120	153,540
Other sales	Dec. 20	1,408,577	1,369,609	715,577	1,121,979
Total sales	Dec. 20	1,597,657	1,562,049	829,697	1,275,519
WHOLESALE PRICES, NEW SERIES — U. S. DEPT. OF LABOR — (1947-49 = 100):					
Commodity Group—					
All commodities	Jan. 6	109.7	109.6	111.4	------
Farm products	Jan. 6	101.2	101.1	107.2	------
Processed foods	Jan. 6	104.0	*103.2	110.3	------
Meats	Jan. 6	96.8	*94.0	113.7	------
All commodities other than farm and foods	Jan. 6	112.8	*112.8	112.0	------

*Revised figure. ¶Includes 652,000 barrels of foreign crude runs. §Based on new annual capacity of 117,547,470 tons as of Jan. 1, 1953 as against the Jan. 1, 1952 basis of 108,587,670 tons. ‡Eleven days. ** Nine days.

	Latest Month	Previous Month	Year Ago
BUILDING CONSTRUCTION PERMIT VALUATION IN URBAN AREAS OF THE U. S.—U. S. DEPT. OF LABOR—Month of October (000's omitted):			
All building construction	$798,725	$792,435	$653,365
New residential	472,410	457,364	359,004
New nonresidential	223,184	230,435	197,622
Additions, alterations, etc.	103,132	104,636	96,740
BUILDING CONSTRUCTION—U. S. DEPT. OF LABOR—Month of December (in millions):			
Total new construction	$2,513	$2,787	$3,011
Private construction	1,789	1,924	1,988
Residential building (nonfarm)	953	1,033	1,048
New dwelling units	865	925	935
Additions and alterations	70	90	95
Nonhousekeeping	18	18	18
Nonresidential building (nonfarm)	421	435	434
Industrial	187	190	189
Commercial	107	109	104
Warehouses, office and loft buildings	49	48	45
Stores, restaurants, and garages	58	61	59
Other nonresidential building	127	136	141
Religious	37	38	39
Educational	33	34	33
Social and recreational	11	12	12
Hospital and institutional	27	29	31
Miscellaneous	19	23	26
Farm construction	103	117	139
Public utilities	304	331	360
Railroad	33	37	37
Telephone and telegraph	45	47	49
Other public utilities	226	247	274
All other private	8	8	7
Public construction	724	863	1,023
Residential building	47	49	52
Nonresidential building	314	332	352
Industrial	113	125	141
Educational	135	136	137
Hospital and institutional	37	38	40
Other nonresidential building	29	33	34
Military and naval facilities	107	117	125
Highways	120	215	330
Sewer and water	55	59	62
Miscellaneous public service enterprises	14	16	20
Conservation and development	62	70	77
All other public	5	5	5
BUSINESS FAILURES—DUN & BRADSTREET, INC.—Month of December:			
Manufacturing number	131	121	131
Wholesale number	45	66	66
Retail number	288	280	296
Construction number	76	62	71
Commercial service number	43	61	48
Total number	583	590	612
Manufacturing liabilities	$8,458,000	$5,853,000	$6,515,000
Wholesale liabilities	1,875,000	2,424,000	3,586,000
Retail liabilities	7,046,000	5,865,000	5,177,000
Construction liabilities	5,068,000	1,588,000	2,251,000
Commercal service liabilities	953,000	3,027,000	1,874,000
Total liabilities	$23,400,000	$18,757,000	$19,403,000
CONSUMER PRICE INDEX FOR MODERATE INCOME FAMILIES IN LARGE CITIES—1935-39=100—Adjusted as of Nov. 15:			
All items	191.1	190.9	188.6
All foods	232.3	232.4	231.4
Cereals and bakery products	194.3	194.3	190.2
Meats	263.8	274.1	278.6
Dairy products	218.2	218.1	210.4
Eggs	226.0	230.6	241.8
Fruits and vegetables	236.7	227.3	223.5
Beverages	346.1	346.3	346.6
Fats and oils	140.3	140.7	158.5
Sugar and sweets	190.6	190.7	186.7
Clothing	201.3	202.1	207.6
Rent	143.9	143.0	138.9
Fuel, electricity and refrigerators	149.0	148.4	144.8
Gas and electricity	99.4	99.0	97.4
Other fuels	213.7	212.8	206.3
Ice	166.5	166.3	156.3
Housefurnishings	204.9	204.6	210.8
Miscellaneous	174.7	174.4	168.4
EMPLOYMENT AND PAYROLLS—U. S. DEPT. OF LABOR—REVISED SERIES—Month of September:			
All manufacturing (production workers)	13,218,000	*12,874,000	13,087,000
Durable goods	7,389,000	*7,134,000	7,279,000
Nondurable goods	5,829,000	*5,740,000	5,808,000
Employment Indexes (1947-49 Avge.=100)—			
All manufacturing	106.9	*104.1	105.8
Payroll Indexes (1947-49 Average=100)—			
All manufacturing	141.5	*133.3	130.9
Estimated number of employees in manufacturing industries—			
All manufacturing	16,361,000	*16,015,000	16,0[illegible]
Durable goods	9,157,000	*8,904,000	8,913,000
Nondurable goods	7,204,000	*7,111,000	7,126,000
INDUSTRIAL PRODUCTION BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM, 1935-39=100—Month of Nov.:			
Seasonally adjusted	233	*229	219
Unadjusted	234	*233	220
NEW CAPITAL ISSUES IN GREAT BRITAIN—MIDLAND BANK, LTD.—Month of Dec.	£6,676,000	£66,556,000	£21,993,000
U. S. GOVT. STATUTORY DEBT LIMITATION As of Dec. 31 (000's omitted):			
Total face amount that may be outstanding at any time	$275,000,000	$275,000,000	$275,000,000
Outstanding—			
Total gross public debt	267,391,155	267,432,234	259,418,600
Guaranteed obligations not owned by the Treasury	53,969	50,592	42,177
Total gross public debt and guaranteed obligations	$267,445,125	$267,482,827	$259,460,778
Deduct—other outstanding public debt obligations not subject to debt limitation	623,859	626,043	666,762
Grand total outstanding	$266,821,266	$266,656,783	$258,794,016
Balance face amount of obligations, issuable under above authority	8,173,733	8,143,216	16,205,983
UNITED STATES GROSS DEBT DIRECT AND GUARANTEED—(000's omitted):			
As of Dec. 31	$267,445,125	$267,482,827	$259,460,778
General fund balance	6,064,343	7,635,969	4,294,675
Net debt	$261,380,782	$259,846,858	$255,166,10[illegible]
Computed annual rate	2.353%	2.345%	2.30[illegible]

Tomorrow's Markets Walter Whyte Says—

By WALTER WHYTE

The most widely accepted cause for the reaction of last week was President Truman's budget message. That one was supposed to have been such a tremendous shock that the market couldn't take it and took a side slip.

* * *

Now that is what I call a very convenient explanation. The only trouble is that there's no more truth to it than there is in some of the campaign promises that you hear before the Big November returns.

* * *

I don't have any pat answer to give for the current setback. I doubt if there's any such answer. Three or four weeks ago I said in this space that the storm warnings were up and suggested taking to cover. You can wager if I thought so there were others who thought the same way. My conclusions were not based on any inside information, no more than that available to any number of people who can read as well as I.

* * *

The chief question from a market viewpoint is what will they do from here on. I must again emphasize that I have no sources of inside information, assuming any of them were worth anything. But I can hazard an opinion that this current reaction isn't over by a number of points.

* * *

As this is being pecked out on the Underwood, the Dow Industrial averages are around 284; the rails about 108. That makes it almost a ten-point decline in the industrials from their recent high and about a six-point dip in the rails. Before they turned down the industrials made a high of about 295 and the rails about 114.

* * *

On a technical basis the current 283-285 range should mark the limits of a decline. Yet there are other factors, of a longer range character, that have to be taken into account. Paradoxically, these unknown factors have a nasty way of poking up their heads at a time when they're least expected. In any case these, plus the technical position, call for a reaction of considerably more than is now indicated.

* * *

But before there's a resumption of the down-tendencies, it is quite possible that there will be an intermediate rally. An advance to about 290 in the industrials and 112 in the rails is a likelihood.

* * *

Despite this rally I consider the present market unsatisfactory. Instead of buying them in anticipation of a rally I would be inclined to use the rally to back out of long commitments that haven't fared well.

[The views expressed in this article do not necessarily at any time coincide with those of the Chronicle. They are presented as those of the author only.]

Continued from page 5

The State of Trade and Industry

production had dipped below Ford and Chrysler during December because of model changeovers.

The agency predicted the industry's total production this quarter would be "remarkable." It expects 481,000 cars and 111,000 trucks will be assembled this month, compared with a total of 390,000 cars and trucks in the like 1952 month.

Steel Output Scheduled to Show Slight Increase Above Previous Week

Increasing competition from European countries, particularly France and Belgium, is hurting the business of United States nut and bolt manufacturers and is making itself felt with increasing pressure in other areas of metalworking, says "Steel," the weekly magazine of metalworking.

They are reaching for a helping of the domestic sales along the Eastern Seaboard and making their bid with prices ranging from 5 to 10% under domestic levels.

On the whole, the demand for steel is keeping producers cautious in booking new business. They don't want to be loaded with more orders than they can fill.

Some mills normally book orders for not more than one month in advance, but of those that book on a quarterly basis, a good many are not accepting orders now for delivery beyond April on the most-wanted products. Many of the mills are already burdened with orders carried over from 1952, this trade weekly declares.

Influencing producers to go slow in booking second quarter orders is the conclusion that industrial activity, and accompanying steel demand, will remain strong through the first half of this year. Too, there is growing belief that good business will continue into and through the last half, states this trade publication.

Another factor influencing caution in order-taking, it adds, is the question of what course General Eisenhower, after he is inaugurated as President, takes to end the Korean war. A sharp step-up in our offensive might intensify steel demand.

Regardless of what happens, "Steel" points out, the United States has more capacity than ever before to supply the steel needs.

The American Iron and Steel Institute announced that the operating rate of steel companies having 93% of the steelmaking capacity for the entire industry will be at an average of 99.4% of capacity for the week beginning Jan. 12, 1953, equivalent to 2,240,000 tons of ingots and steel for castings. In the week starting Jan. 5, the actual rate was 98.2% of capacity and output totaled 2,213,000 tons. A month ago output stood at 107.7%, or 2,236,000 tons, while a year ago when the capacity was smaller the estimated output was 2,083,000 tons.

Electric Output Approaches All-Time High in Latest Week

The amount of electric energy distributed by the electric light and power industry for the week ended Jan. 10, 1953, was estimated at 8,185,429,000 kwh., according to the Edison Electric Institute.

The current total was 472,274,000 kwh. above that of the preceding week when output totaled 7,713,155,000 kwh. It was 519,786,000 kwh., or 6.8%, above the total output for the week ended Jan. 12, 1952, and 1,204,584,000 kwh. in excess of the output reported for the corresponding period two years ago.

Car Loadings Rise 8.1% Above Preceding Christmas Holiday Week

Loadings of revenue freight for the week ended Jan. 3, 1953, which included New Year's Day holiday, totaled 563,085 cars, according to the Association of American Railroads, representing an increase of 42,414 cars, or 8.1% above the preceding Christmas holiday week.

The week's total represented a decrease of 47,031 cars or 7.7% below the corresponding week a year ago, and a decrease of 99,342 cars, or 15% below the corresponding week in 1951.

United States Auto Output Soars to 33% Above Holiday Week

Passenger car production in the United States last week made a strong recovery from the holiday-shortened previous two weeks, according to "Ward's Automotive Reports."

The extent of the rise above the previous week amounted to 33%.

It aggregated 105,223 cars compared with 79,125 cars (revised) in the previous week and 62,590 cars one year ago.

Total output for the past week was made up of 105,223 cars and 28,377 trucks built in the United States, against 79,125 cars and 21,589 trucks the previous week and 62,590 cars and 23,040 trucks in the comparable 1952 week.

Canadian plants turned out 6,574 cars and 2,025 trucks against 3,414 cars and 1,974 trucks in the prior week and 3,989 cars and 3,116 trucks in the comparable 1951 week.

Business Failures Turn Upward in Post-Holiday Week

Commercial and industrial failures rebounded to 163 in the week ended Jan. 8 from the holiday low of 89 in the preceding week, according to Dun & Bradstreet, Inc. While casualties were about even with a year ago when 164 occurred, they remained below the 193 in the similar week of 1951 and the prewar total of 380 in 1939.

Failures with liabilities of $5,000 or more rose to 138 from 78 in the previous week and exceeded the 129 occurring last year. Those with liabilities under $5,000 increased to 25 from 11 but did not reach the corresponding 1952 total of 35.

Manufacturing and trade mortality rose sharply, with manufacturers' casualties climbing to 30 from 16, retailers' failures to 90 from 41, and wholesalers' to 20 from 9. Meanwhile, construction held steady at 16 and commercial service at 7. More businesses succumbed than last year in wholesale trade and construction, but mild dips from the 1952 level occurred in other lines.

In six of the nine major geographic regions failures rose during the week. A large part of the increase was concentrated in the Middle Atlantic, Pacific and New England States. No change appeared in the West North Central Regions, while failures dipped slightly in the East North Central and Mountain States. Five areas reported more casualties than in the similar week of 1952, including the Middle Atlantic, New England, South Atlantic and Pacific States. The only marked decline from a year ago took place in the East North Central Region where less than one-half as many businesses failed as in 1952.

Wholesale Food Price Index Rises for Third Straight Week

Moving upward for the third successive week, the Dun & Bradstreet wholesale food price index for Jan. 6 stood at $6.23. This was a rise of 1.1% over the previous week at $6.16, and the highest level since Nov. 23 when the index also registered 6.23. Compared with the year-ago figure of $6.61, the current number shows a drop of 5.7%.

The index represents the sum total of the price per pound of 31 foods in general use and its chief function is to show the general trend of food prices at the wholesale level.

Wholesale Commodity Price Index Turns Slightly Higher in Latest Week

Continuing its irregular day-to-day movements, the Dun & Bradstreet daily wholesale commodity price index closed at 280.90 on Jan. 6. This was up slightly from 280.61 a week earlier, and compared with 310.66 on the corresponding date a year ago.

Grain markets, with the exception of corn, were generally lower during the past week.

Weakness in wheat reflected slow domestic and export demand and the large supplies of wheat overhanging the market.

Market receipts of corn were small and prices strengthened despite the recent announcement of a decrease in the pig production. Oats prices declined with offerings more than ample for the demand. Trading in grain and soybean futures was more active. Average daily purchases on the Chicago Board of Trade last week totaled 47,800,000 bushels, as against 29,100,000 a week ago and 51,500,000 bushels in the like week last year.

Business in the domestic flour market continued to lag as bakers and jobbers confined their activity mostly to small lot replacement bookings of hard and soft wheat bakery types. Cocoa advanced shorply at the close after displaying a firm tone throughout the week. The rise was influenced to some extent by the dock strike in the New York area and by short covering and hedge-lifting for inventory purposes. Warehouse stocks of cocoa were up 1,723 bags for the week, totaling 46,845 bags. This compared with 104,256 bags a year ago. Following some initial confusion the coffee market showed little effect from the dock workers' strike. Demand for refined sugar expanded sharply at the week-end, largely due to the pier strike. Supplies of refined were limited, however, and refiners reported only sufficient raw sugar on hand to keep running for a short while.

Domestic spot cotton prices moved within a narrow range the past week. The trend was mildly upward during most of the period but a sharp reaction at the close left prices about unchanged for the week.

Bullish sentiment was aided by trade and commission house buying and year-end mill price-fixing which tended to offset tax selling and liquidation induced by continued slow export demand.

Support was also furnished by a pick-up in the goods market in the final day of the year and a more optimistic outlook for textiles generally. Trading in the ten spot markets continued limited in volume and totaled 84,600 bales in the latest week. This compared with 85,000 bales in the preceding period, and 100,700 in the corresponding week a year ago. The cotton parity price for mid-December was reported at 34.10 cents a pound, the same as a year earlier, but down slightly from 34.22 cents a month ago. CCC loan entries during the week ended Dec. 26 dropped to 109,630 bales, from 155,933 a week previous. Entries for the season through Dec. 26 were reported at 912,211 bales, as compared with 835,000 to the same date a year earlier.

Trade Volume Rebounds to Higher Levels the Past Week

Retail trade in most parts of the nation in the period ended on Wednesday of last week, recovered noticeably from the post-holiday lull in the prior week. Most merchants chalked up larger sales receipts than in the comparable week a year ago but did not quite match the unusually high level of two years ago when scare-buying was rampant.

Reduced-price promotions of seasonal merchandise and easy credit terms were used to stir shoppers' interest. Retailers in some parts were rather pleasantly surprised by the spirited consumer response to clearance sales.

The total dollar volume of retail trade in the week was estimated by Dun & Bradstreet, Inc., to be from 2 to 6% larger than a year ago. Regional estimates varied from the comparable year-ago levels by the following percentages: New England +1 to +5; East 0 to +4; Midwest and South +3 to +7; Southwest +4 to +8; Northwest and Pacific Coast +2 to +6.

Shoppers spent more for apparel than in either the prior week or the similar week a year earlier. Clearance sales of women's Winter wear drew wide interest. Men's sportswear and haberdashery offered at sizable reductions were in rising demand. Successful promotions of Spring clothing in some cities in the South and Pacific Coast augured well for a favorable shopping season

to come. Shoes were more frequently purchased than in the similar week last year.

The recent lull in trading in many of the nation's wholesale markets came to a close in the past week as buyers placed sizable orders for the Spring season. The total dollar volume of wholesale trade continued to be moderately larger than that of a year ago. Encouraged by recent surge in shopping and the reduction in inventories, buyers were less reluctant to extend their commitments beyond immediate needs than they were a year ago.

Department store sales on a country-wide basis, as taken from the Federal Reserve Board's index, for the week ended Jan. 3, 1953, increased 5% from the level of the preceding week. In the previous week an increase of 59%* (revised) was reported from that of the similar week of 1952. For the four weeks ended Jan. 3, 1953, an increase of 12% was reported. For the year 1952, department store sales registered an increase of 1% above 1951.

Retail trade in New York the past week displayed activity, but failed to approach the broad gains enjoyed in other parts of the country.

According to the Federal Reserve Board's index department store sales in New York City for the weekly period ended Jan. 3, 1953, decreased 4% below the like period of last year. In the preceding week an increase of 46%* (revised) was reported from that of the similar week of 1951, while for the four weeks ended Jan. 3, 1953, an increase of 4% was recorded. For the year 1952, volume declined 7% under the preceding year.

*The large increases shown for this week reflect in part the fact that this year Christmas fell on Thursday and the week therefore included three days of heavy pre-Christmas shopping as compared with one day last year when Christmas fell on Tuesday.

Continued from first page

Which Direction the Business Future?

1953 has been based on the contention that defense spending has nearly reached its peak, that capital spending for plant expansion will clearly taper off, and that the industrial capacity of the country is able to turn out an oversupply of civilian goods even while we are spending at the rate of $50 billion a year for defense. All this may be an accurate forecast of a situation that will develop some day, but the present aspect of the world picture for 1953 raises some doubt as to the imminence of these developments. As we look at the Communist build-up in Korea, the precarious French position in Indo-China, the ominous stirrings in the Middle East, the unrest in Africa, the Communist infiltration in South America, and the increasingly shaky economic and political situation in the NATO countries, we are forced to recognize the unwelcome fact that the Kremlin to date is winning the cold war and we are losing it. The new Administration takes office with a clear mandate from the American people to initiate policies that will reverse this trend. In the light of these facts, longer-continued and quite possibly higher defense expenditures can readily be envisioned. Because of Washington fumblings and the brazen subordination of national safety to purely political objectives, the cutback in the production of weapons in 1952 seriously jeopardized the whole defense program.

Consensus of Expectations

The consensus at present, therefore, is that the general volume of business activity will be well sustained throughout most of 1953. Specifically the expectations are as follows:

(1) Government spending on total goods and services will be higher in 1953 than in 1952, defense expenditures running to some $53 billion. Although there will be a real effort to achieve economies, the results are likely to be that we will get more for our dollars, not that fewer dollars will be spent. Actually the expenditures for 1953 are already committed in large part.

(2) Capital spending by business for plant and equipment will continue at a very high rate during most of the year. Again much of this spending is already committed, and reliable surveys of the long-run plans of industry support the view that this capital spending in 1953 will not be greatly below the high level of $27 billion spent in 1952.

(3) Construction also will continue at a high rate. Although residential building probably is slated for some decline from the 1,100,000 houses built in 1952, increased outlays for public works of a needed character, especially highways, schools, and other public buildings, will take up much of the slack.

(4) Thus consumer income will continue at a high level and possibly show some small net increase as the composite result of the high rate of employment (which perhaps will decline a little by the end of the year), continued wage increases, though less great than those in 1952, and farm incomes which clearly will be somewhat lower.

(5) Since taxes on individuals will not be increased and may possibly decrease slightly, disposable income will keep pace with any rise in total consumer income. The total figure can well be at or over $240 billion.

(6) The spending rate, or conversely the savings rate, seems unlikely to change much. Actually the savings rate moved up to 8.6% of disposable income in the third quarter of 1952, a considerable increase over the first two quarters, but presumably it declined again in the fourth quarter. It is a fair guess that the American people will again save at least $17 or $18 billion in 1953. Liquid savings will increase; also consumer debt will probably increase at the same time. It is not to be forgotten, likewise, that 1953 will be a year of large maturities of E bonds. All together this adds up to a prospect for a relatively good volume of consumer spending, quite possibly in excess of $220 billion.

(7) The prospective price picture is one of considerable stability. Barring big changes in the international situation, there is no likelihood of explosive inflation in 1953. The wholesale price level has been declining slightly for some time and probably will continue to edge downward. Prices of sensitive commodities, especially those traded on futures markets, are in most instances well back to pre-Korea levels; there are now relatively few scarce materials. The high level of business activity indicated for 1953, however, will preclude any marked price weakness. The trend of agricultural prices will probably be moderately downward, but the price support program of course will be functioning. The consumer price level is still close to its peak, but during this year it will probably slide off a little, especially because of somewhat lower prices for food (incidentally a factor which may help department store business). The consumer price index, however, will not go down very rapidly, because of the retarded rise in rents. Thus we may probably look for a somewhat lower level of retail prices in 1953, but not very greatly lower. (It is interesting to note that prices in the recent Sears Roebuck Midwinter Book are down, on the average, about 9%.)

Ingredients of Downturn

Notwithstanding this relatively optimistic forecast for general business in 1953, there are some definite threats for the intermediate period. There is no doubt that we are gradually accumulating the ingredients of a business turndown. The question is not as to their existence but rather as to the time when enough of them will come into play simultaneously to cause a serious recession. These potential threatening factors have all been well publicized. A brief mention of them may help us keep our perspective:

(1) Private indebtedness, both corporate and personal, has been growing rapidly, much more rapidly, than government debt. As Professor Slichter recently pointed out,[1] corporate indebtedness has gone up 85% since 1945, and personal indebtedness 118%, while national income during this period has risen only 52%. The payment of debts has a deflationary effect. In other words, when we stop accumulating new debt, the portion of income saved for the payment of old debt has an unfavorable effect on spending. In this respect private debt has much greater deflationary potentialities than does government debt. Most of us can remember vividly the vicious down-spiral which accompanied the liquidation of private indebtedness after 1929.

(2) Unquestionably we are reaching the point where the very serious deficiencies in plant and equipment arising not only out of World War II but also out of the depression years of the 1930s have almost been made up. Also the spurt in capital goods spending growing out of defense requirements and accelerated by the provisions for fast amortization will not last indefinitely. To be sure, technological factors and growth factors, not to mention ordinary replacement, still call for relatively high capital expenditures; but at some point in the not too distant future the shift will be from a catching-up process to a normal-growth process. Then the danger will be that business will not be accumulated new debt as rapidly as it pays off old obligations, with the consequent deflationary effects just mentioned.

(3) The number of new dwelling places built has for some time been exceeding the number of new households formed. Again there has been a catching-up situation, but the acute housing shortages has now been overcome; and actually last year the number of new dwelling places built, 1,100,000, probably exceeded by 50% the increase in the number of families.[2] Still nobody can put his finger on the time when this particular residential building cycle will draw to a close. There are at least two factors that are tending to prolong it, namely, the continued and accelerated movement of household into more and more distant suburbs and the technological and stylistic revolution in housing which is now in full swing and which creates dissatisfaction with older dwellings.

(4) The situation of high business tax rates and declining profits threatens one of the chief sources of investment funds, namely, accumulated earnings. Note, for instance, the recent announcement by one of the large retail chain organizations that its store expansion program will be substantially curtailed in 1953 because of the inroads of taxes on earnings. In 1952 total business corporate earnings after taxes were lower than in 1951, lower than in any year of the past five except the recession year 1949. Unless the earnings trend, which has now been downward for nearly two years, is shortly reversed, a slowdown of business spending seems inevitable.

(5) There fits into this same picture also the hardening tendency of interest rates. The cost of borrowing has in fact been on the increase during most of the postwar period. With the prospect that some of the large U. S. Treasury refundings which face the new Secretary of the Treasury this year will be handled through the issue of long-term securities at something like a 3% rate, the possibility grows that the recent rapid expansion of bank credit to business will soon come to a turning point. Such a contingency is enhanced by the extent to which banks are now borrowing from the Federal Reserve in order to extend accommodation to their customers. Not to be overlooked also is the fact that the character of the appointments which Eisenhower is making to financial posts in the government foreshadows a conservative, i.e., potentially deflationary trend.

(6) To be considered likewise are the effects of the highly unstable economic and political situation in the Western European countries. The NATO rearmament program threw a monkey wrench into their economic recovery, as the Kremlin doubtless foresaw; and now Stalin will do everything possible to disrupt these weakened economies still further. His statement at the 19th Soviet Congress was a virtual declaration of economic war. In this situation the United States at the very least faces a decline in exports; but more serious than this is the basic fact, now beginning to emerge, that unless this country is willing to accept a large volume of imports our whole policy of seeking to organize the free world for defense against Russia is going to fall apart.

The several factors just commented on are among the principal ones that can cause a more or less serious period of readjustment in our economy at some time over the next few years. As remarked earlier, the question is not as to the existence of these factors but rather as to the timing and conjunction of their operation. The timing could still fall before the end of 1953, but the trend of the past two months argues that the major test is perhaps more likely to come in 1954. Factors to watch particularly are inventory and the volume of new orders. It is a little disquieting that total business inventories today are relatively high and new orders are falling off somewhat.

Long-Run Aspects

A few comments are in order on certain long-run aspects of our American business society:

(1) The growth factors, including the all-important one of population, point strongly upward. Even by five years from now a projection of current trends can give us a population of 170 million, a gross national product of $400 billion, and consumer expenditures of $275 billion at current prices.

(2) The technological factors also point strongly upward. With the development of synthetics, the new petro-chemical industry, the growing science of electronics, and the penetration of the secrets of the atom, the door is open to a large and extraordinarily brilliant "cluster," to use the late Professor Schumpeter's term, of entrepreneurial developments.

(3) It is now widely recognized that the point of view of business management has broadened greatly. Management is better trained, it is becoming more professionalized, and it is assuming greater social responsibilities.

(4) As the economy becomes so much larger and so much more complex, embracing so many new industries and developments, the possibility increases that the inevitable periods of economic readjustment can be much more readily absorbed; that is, these readjustments can be of a rolling character, similar to 1950 and 1951; while certain sectors of the economy and certain industries are pausing to take up slack, others will be going ahead vigorously enough so that the total effect of the readjustment is substantially minimized.

These particular long-run trends and tendencies are on the favorable side, but the picture is not wholly one-sided. For instance, here are two present-day developments which must give us pause:

(1) Our present machinery of wage adjustment, as Professor Slichter has so often pointed out, creates a bias toward inflation. In other words, the present system of wage adjustments results in advances in money wages which outrun the rises in productivity. Since 1946, hourly earnings have been advancing in industry as a whole more than three times as fast as productivity.[3] In the long run this kind of wage adjustment makes for inflation; but in the short run, particularly at times when business is undergoing some readjustment, these advances in money wage rates can be sharply deflationary because they will force curtailment of business spending by companies whose profit margins are seriously threatened.

(2) Our rapidly increasing capacity to produce consumer goods and services places a heavy burden on marketing. Yet in this postwar period not only has the vigor of the promotional and distributive process been impaired by the flabbiness inevitably accompanying a prolonged sellers' market but marketing has increasingly been subjected to a paralyzing straitjacket of confused and befuddled government policies with respect to competition, a state of affairs aided and abetted, unfortunately, by some academic thinking. Intelligent and vigorous competition is the essence of marketing; and at the stage which has now been reached, we ought to wipe the government regulatory slate clean and start over again with a whole new concept of competition and of the ways in which it can best be stimulated and protected.

1 Speech to Mortgage Bankers' Association of America in Chicago, Sept. 29, 1952. Reported in *Commercial and Financial Chronicle*, Thursday, Oct. 2, 1952.

2 See Sumner H. Slichter, speech to Kentucky Bankers' Association in Louisville, Kentucky, Oct. 20, 1952. Reported in *Commercial and Financial Chronicle*, Thursday, Oct. 23, 1952.

3 See Sumner H. Slichter, speech to Chicago Association of Commerce and Industry, Nov. 24, 1952, reported in *Commercial and Financial Chronicle* for Dec. 4, 1952.

Edmond Brown V.-P. Of Garrett & Co.

DALLAS, Texas—Garrett and Company, Incorporated, announce that Edmond L. Brown has become Vice-President of their firm in charge of the corporate securities department. Mr. Brown was formerly manager of the investment and unlisted department of the Dallas office of Beer & Company.

Garrett & Company have also announced that as of Feb. 1 their offices will be located on the ground floor of the Fidelity Union Life Building.

Securities Now in Registration

★ INDICATES ADDITIONS SINCE PREVIOUS ISSUE
• ITEMS REVISED

★ ACF-Brill Motors Co.
Jan. 12 (letter of notification) 6,000 shares of common stock (par $2.50). **Price**—At market (about $5.87½ per share). **Proceeds** — To Investment Co. of Philadelphia for 4,000 shares and William S. Wasserman for 2,000 shares. **Underwriter**—None, but Vilas & Hickey, will act as broker.

Allied Insurance Co. of America, Broadview, Ill.
Dec. 15 filed 1,000,000 shares of capital stock (par $1) to be offered to agents of Allied Van Lines, Inc. **Price**—$1.60 per share. **Proceeds**—For capital and surplus **Underwriter**—None.

American Alloys Corp., Kansas City, Mo.
Dec. 15 (letter of notification) 1,000 shares of preferred stock. **Price**—At par ($10 per share). **Proceeds**—For working capital. **Underwriter**—McDonald-Evans & Co., Kansas City, Mo.

★ American Machine & Foundry Co.
Jan. 9 (letter of notification) 4,916 shares of common stock (no par). **Price**—At market (approximately $22.50 per share). **Proceeds**—To reimburse company for funds supplied to Bankers Trust Co., New York, for apportionment and distribution pro rata among common stockholders otherwise entitled to fractional shares in connection with 2½% stock dividend paid Dec. 16, 1952. **Underwriter**—None, but Merrill, Lynch, Pierce, Fenner & Beane, McMullen, Park & Hard and Ernst & Co., will act as brokers.

★ American Pipeline Producers, Inc., Shreveport, La.
Jan. 5 (letter of notification) 599,000 shares of common stock (par one cent). **Price**—50 cents per share. **Proceeds**—To drill wells. **Office**—Room 308, Texas Eastern Bldg., Shreveport, La. **Underwriter**—W. C. Doehler Co., Jersey City, N. J.

★ B. and H. Incorporated, New Orleans, La.
Dec. 24 (letter of notification) 30,000 shares of common stock (par 50 cents) to be offered initially to common stockholders about Jan. 20; unsubscribed portion to public. **Price**—$1.50 per share to stockholders; and $2 per share to public. **Proceeds** — To buy machinery and for working capital. **Underwriter**—Woolfolk & Shober, New Orleans, La.

Bank Shares, Inc., Minneapolis, Minn.
Dec. 11 (letter of notification) 10,000 shares of class A stock. **Price**—At par ($20 per share). **Proceeds**—For working capital. **Underwriter**—M. H. Bishop & Co., Minneapolis, Minn.

Big Basin Oil, Inc., Holyoke, Colo.
Dec. 8 (letter of notification) 1,100,000 shares of common stock (par five cents). **Price**—25 cents per share. **Proceeds**—To repay notes, and for drilling expenses and new equipment. **Underwriter**—E. I. Shelley Co., Denver, Colo.

Bristol Oils Ltd., Toronto, Canada
Sept. 25 filed 1,000,000 shares of common stock (par $1). **Price**—Approximately 64.48 cents per share. **Proceeds**—To acquire leases and for corporate purposes. **Underwriter**—None. To be named by amendment.

• Budget Finance Plan, Inc. of California (1/29)
Dec. 22 filed 150,000 shares of 60-cent convertible preferred stock (par $9). **Price**—To be supplied by amendment (around $10 per share). **Proceeds**—For working capital. **Underwriters**—Reynolds & Co., New York, and Lester, Ryons & Co., Los Angeles, Calif.

★ Bymart-Tintair, Inc., N. Y.
Jan. 8 (letter of notification) $150,000 of 5-year 5% promissory notes (and warrants to subscribe for 300,000 shares of one-cent par common stock at 50 cents per share) to be first offered for subscription by common stockholders under a plan of debt readjustment; rights to expire Feb. 15, 1953. **Price** — At par in $1,000 units (one $1,000 note plus warrants, exercisable after July 1, 1953 and prior to Dec. 31, 1957, to buy 2,000 shares). **Proceeds**—For working capital. **Office**—270 Park Ave., New York 17, N. Y. **Underwriter**—None.

Byrd Oil Corp., Dallas, Tex.
Oct. 22 filed $1,750,000 of 10-year 5½% convertible sinking fund mortgage bonds due Nov. 1, 1962, to be offered for subscription by common stockholders at the rate of $100 of bonds for each 28 shares of stock held (for a 14-day standby). Certain stockholders have waived their rights. **Price**—At par. **Proceeds**—To repay $1,014,500 of outstanding notes and for drilling expenses and working capital. **Underwriters** — Dallas Rupe & Son. Dallas, Texas; Carl M. Loeb, Rhoades & Co., New York; and Straus, Blosser & McDowell, Chicago, Ill. **Offering**—Postponed temporarily.

NEW ISSUE CALENDAR

January 19, 1953
Kansas City Power & Light Co. — Bonds
(Bids 11 a.m. EST)
New York Airways, Inc. — Common
(Smith, Barney & Co.)
Nyal Co. — Common
(Gearhart & Otis, Inc.)
Pan American Sulphur Co. — Common
(Kuhn, Loeb & Co. and Carl M. Loeb, Rhoades & Co.)
Ross (J. O.) Engineering Corp. — Common
(Granbery, Marache & Co.)

January 20, 1953
Montreal Transportation Commission — Bonds
(Shields & Co. and Savard & Hart)
Ohio Power Co. — Bonds & Preferred
(Bids 11 a.m. EST)

January 21, 1953
Smith (L. C.) & Corona Typewriters, Inc. — Common
(Kidder, Peabody & Co.)
West Penn Electric Co. — Common
(Offering to stockholders—Bids 11 a.m. EST)

January 22, 1953
Illinois Central RR. — Equip. Trust Ctfs.
(Bids noon CST)
Northern Indiana Pub. Service Co. — Debentures
(Central Republic Co. Inc.; Blyth & Co., Inc.; and Merrill Lynch, Pierce, Fenner & Beane)

January 23, 1953
Bank of the Manhattan Co. — Common
(The First Boston Corp.)

January 26, 1953
Canadian Prospect Ltd. — Common
(White, Weld & Co. in United States)
Culver Corp. — Common
(Offering to stockholders—no underwriting)
English Oil Co. — Common
(J. A. Hogle & Co)

January 27, 1953
Iowa-Illinois Gas & Electric Co. — Bonds & Pfd.
(Bids 11 a.m. CST)
Minneapolis Gas Co. — Common
(Offering to stockholders—underwritten by Kalman & Co.)

January 28, 1953
Ontario (Province of) — Debentures
(Harriman Ripley & Co., Inc.; Wood, Gundy & Co. Inc.; First Boston Corp.; Smith, Barney & Co.; Dominion Securities Corp.; A. E. Ames & Co.; and McLeod, Young, Weir, Inc.)

January 29, 1953
Budget Finance Plan, Inc. — Preferred
(Reynolds & Co. and Lester, Ryons & Co.)
Louisville Gas & Electric Co. — Common
(Offering to stockholders—underwritten by Lehman Brothers and Blyth & Co., Inc.)
Southern Ry. — Equip. Trust Ctfs.
(Bids to be invited)
State Bank of Albany, N. Y. — Common
(Offering to stockholders—underwritten by Salomon Bros. & Hutzler)

February 2, 1953
Pennsylvania RR. — Equip. Trust Ctfs.
(Bids to be invited)

February 3, 1953
Commercial Credit Co. — Notes
(Kidder, Peabody & Co. and First Boston Corp.)
Southwestern Public Ser. Co. — Bonds & Preferred
(Dillon, Read & Co. Inc.)
Southwestern Public Ser. Co. — Common
(Offering to stockholders—underwritten by Dillon, Read & Co. Inc.)

February 9, 1953
Sylvania Elec. Prod. Co. — Debentures & Common
(Paine, Webber, Jackson & Curtis)

February 10, 1953
New York, Chicago & St. Louis RR. — Bonds
(Bids to be invited)

February 17, 1953
Con. Edison Co. of New York, Inc. — Bonds
(Bids to be invited)
Niagara Mohawk Pr. Corp. — Bonds & Common
(Bids to be invited)

February 21, 1953
Maryland Casualty Co. — Common
(Offering to stockholders—underwriters may include Merrill Lynch, Pierce, Fenner & Beane; First Boston Corp.; Lehman Borthers; and Paine, Webber, Jackson & Curtis)

March 17, 1953
Mississippi Power & Light Co. — Bonds
(Bids to be invited)

March 24, 1953
Dallas Power & Light Co. — Bonds
(Bids to be invited)

March 27, 1953
Merritt-Chapman & Scott Corp. — Common
(Offering to stockholders—no underwriter)

April 7, 1953
Florida Power & Light Co. — Bonds
(Bids to be invited)

April 13, 1953
Texas Electric Ser. Co. — Bonds & Preferred
(Bids to be invited)

April 14, 1953
New Orleans Public Service Inc. — Bonds
(Bids to be invited)

• Canadian Prospect Ltd. (1/26-30)
Nov. 24 filed 303,595 shares of common stock (par 33⅓ cents), of which 235,000 shares are to be issued upon exercise of share rights and 68,595 shares are to be sold for account of selling stockholders. **Price**—To be supplied by amendment. **Proceeds**—To company to be used for operating expenses to pay for future exploration and development of leases, etc. **Underwriters**—White, Weld & Co., New York, for an undetermined number of shares; balance through a Canadian underwriter to be named later. **Offering**—Expected week of Jan. 26.

Code Products Corp., Philadelphia, Pa.
Dec. 1 filed 500,000 shares of 6% cumulative preferred stock (par $1) and 255,000 shares of common stock (no par—stated value $1) to be sold in units of two shares of preferred and one share of common stock. **Price**—$3 per unit. **Proceeds** — For working capital. **Business** — Manufactures electrical equipment. **Underwriter**—None. Company intends to offer securities to broker-dealers for public offering.

★ Commercial Credit Co. (2/3)
Jan. 13 filed $25,000,000 of junior subordinated notes due 1973 (to be convertible into common stock for a period of 10 years). **Price**—To be supplied by amendment. **Proceeds** — To finance an increased volume of business. **Underwriters**—Kidder, Peabody & Co. and The First Boston Corp., both of New York.

• Consumers Power Co.
Dec. 16 filed 617,669 shares of common stock (no par) to be offered for subscription by common stockholders of record Jan. 15 at the rate of one new share for each 10 shares held; rights to expire on Jan. 30. **Price**—$35 per share. **Proceeds**—For new construction. **Underwriters**—Morgan Stanley & Co.

★ Crown Cinema Corp., N. Y.
Jan. 5 (letter of notification) 240,000 shares of Class A stock (par 50 cents) and 60,000 shares of Class B stock (par 10 cents) in units of four shares of Class A and one share of Class B stock. **Price**—$4 per unit. **Proceeds**—For production of five films, for working capital, etc. **Office**—270 Park Ave., New York 17, N. Y. **Underwriter**—Lewis & Co., New York.

• Dallas Power & Light Co.
Dec. 17 (letter of notification) 562 shares of common stock (no par) being offered for subscription by minority stockholders at rate of one new share for each 12 shares held as of Dec. 29, 1952; rights to expire on Jan. 26, 1953. **Price**—$130 per share. **Proceeds**—For new construction. **Office** — 1506 Commerce Street, Dallas 1, Tex. **Underwriter**—None.

Detroit Hardware Manufacturing Co.
Dec. 22 (letter of notification) 10,000 shares of common stock (par $1). **Price**—At market (approximately $3.25 per share). **Proceeds**—To Detroit Trust Co., co-executor of the Estate of Fred Schrey. **Underwriter**—Wm. C. Roney & Co., Detroit, Mich.

★ Eagle Valley Telephone Co., Eagle, Colo.
Jan. 6 (letter of notification) 400 shares of preferred stock. **Price**—$100 per share. **Proceeds**—For improvements. **Underwriter**—None.

★ Econo Products Co., Inc.
Jan. 8 (letter of notification) 300,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For expansion and working capital. **Office** — 17 State St., New York. **Underwriter**—James T. Dewitt & Co., Inc., Washington, D. C.

Ekco Oil Co., Philadelphia, Pa.
Dec. 4 (letter of notification) 99,000 shares of common stock (par one cent). **Price**—$3 per share. **Proceeds**—To acquire leases and drill wells. **Underwriter**—Hopper, Soliday & Co., Philadelphia, Pa.

Electronics & Nucleonics, Inc., N. Y.
Nov. 10 (letter of notification) 1,200,000 shares of common stock (par one cent). **Price**—25 cents per share. **Proceeds**—To expand current operations and for working capital. **Underwriter**—To be furnished by amendment.

★ Empire Millwork Corp., Corona, N. Y.
Jan. 13 (letter of notification) 10,000 shares of common stock (par $1). **Price**—At market (about $8.62½ per share). **Proceeds** — To Benjamin Ginsberg, the selling stockholder. **Underwriter** — Van Alstyne, Noel & Co., New York.

English Oil Co., Salt Lake City, Utah (1/26)
Jan. 5 filed 3,435,583 shares of common stock, of which 750,000 shares are to be offered publicly, 250,000 shares are to be reserved for officers and key employees and options, and 2 435,583 shares in exchange for oil and gas properties and interests therein. **Price**—At par ($1 per share). **Proceeds**—For acquisition of additional properties and leases. **Underwriter**—J. A. Hogle & Co., Salt Lake City, Utah.

Erie Meter Systems, Inc., Erie, Pa.
Dec. 9 (letter of notification) $300,000 of 15-year 6% sinking fund debentures dated Nov. 1, 1952 and due Nov. 1, 1967. **Price**—At par and accrued interest. **Proceeds**—To repay bank loans and for working capital. **Office**—1602 Wagner Avenue, Erie, Pa. **Underwriter**—None. Smith & Root, Erie, Pa., will act as distributor.

★ **First Acceptance Corp., Minneapolis, Minn.**
Jan. 7 (letter of notification) 3,000 shares of 5% preferred stock. **Price**—At par ($100 per share). **Proceeds**—For working capital. **Office**—820 Northwestern Bank Bldg., Minneapolis 2, Minn. **Underwriter**—None.

★ **Florida Opportunity Bulletin, Inc.**
Jan. 9 (letter of notification) 6,000 shares of common stock (par $1). **Price**—$5 per share. **Proceeds**—To expand magazine. **Address**—P. O. Box 456, 3082 Mary St., Coconut Grove, Miami 33, Fla. **Underwriter**—None.

★ **Foster Wheeler Corp.**
Jan. 5 filed 30,032 shares of common stock (par $10) to be offered to certain officers and other key employees of corporation and its subsidiaries under a "Restricted Stock Option Plan."

● **General Public Service Corp.**
Dec. 19 filed 1,101,451 shares of common stock (par 10 cents) being offered for subscription by common stockholders of record Jan. 9 at rate of one share for each two shares held (with an oversubscription privilege); rights to expire on Jan. 23. **Price**—$3.75 per share. **Proceeds**—To add further investments to company's portfolio. **Dealer Managers** — Stone & Webster Securities Corp., New York, is representative.

★ **Glidden Co., Cleveland, Ohio**
Jan. 6 (letter of notification) 3,300 shares of common stock (no par) to be issued in full payment of real estate purchased from The Eagle-Picher Co.

Gyrodyne Co. of America, Inc.
Nov. 13 filed 350,000 shares of class A common stock (par $1), to be offered for subscription by stockholders of record Dec. 22, 1952, on a pro rata basis; rights to expire on Feb. 28, 1953. The offering will include 50,000 shares to directors, officers and employees of the company and to certain individuals and firms in payment for services. **Price** — $5.75 per share. **Proceeds** — For engineering and construction of prototype coaxial helicopter. **Office**—St. James, L. I., N. Y. **Underwriter**—None.

★ **Haulover Park Fishing Pier, Inc.**
Jan. 8 (letter of notification) 60,000 shares of common stock (par $1). **Price**—$4 per share. **Proceeds**—To construct fishing pier. **Office** — 220 Miracle Mile, Coral Gables 34, Fla. **Underwriter**—None.

Hemisphere Western Oil Co.
Dec. 3 (letter of notification) 1,196,000 shares of common stock (par one cent). **Price**—25 cents per share. **Proceeds**—To acquire working interest in oil wells. **Office**—Cravens Bldg., Oklahoma City, Okla. **Underwriter**—Winner & Meyers, Lock Haven, Pa.

Honolulu Oil Corp., San Francisco, Calif.
Dec. 23 (letter of notification) 500 shares of common stock (no par). **Price**—At market (approximately $50 per share). **Proceeds**—To W. M. Roth, the selling stockholder. **Underwriters** — Schwabacher & Co. and Dean Witter & Co., both of San Francisco, Calif.

Indianapolis Public Loan Co., Inc.
Dec. 30 (letter of notification) $75,000 5% sinking fund debentures, 1965 series. **Price**—At par (in denominations of $500 and $1,000 each). **Proceeds**—To reduce bank loans. **Underwriter**—City Securities Corp., Indianapolis, Indiana.

Insurance Exchange Corp., Walla Walla, Wash.
Nov 25 filed 30,000 shares of common stock (par $10) and 14,000 shares of preferred stock (par $50) of which 28,000 common shares and all of the preferred stock are to be offered in units of one share of preferred and two shares of common stock. Of remaining 2,000 common shares, 500 have been sold to directors and 1,500 are to be reserved for directors and sales representatives. **Price**—$70 per unit. **Proceeds**—For working capital. **Underwriter**—None.

Iowa-Illinois Gas & Electric Co. (1/27)
Dec. 30 filed $8,000,000 of first mortgage bonds due 1983 and 60,000 shares of cumulative preferred stock (par $100). **Proceeds**—To repay bank loans and for new construction. **Underwriters**—To be determined by competitive bidding. Probable bidders: For bonds, Halsey, Stuart & Co. Inc.; Harriman, Ripley & Co. Inc., Union Securities Corp. and White, Weld & Co. (jointly); Equitable Securities Corp.; Glore, Forgan & Co.; Harris, Hall & Co. (Inc.); Lehman Brothers; Blyth & Co., Inc.; The First Boston Corp.; Smith, Barney & Co. For preferred, Blyth & Co., Inc.; Merrill Lynch, Pierce, Fenner & Beane; Glore, Forgan & Co.; Lehman Brothers; Salomon Bros. & Hutzler and Union Securities Corp. (jointly); Kidder, Peabody & Co.; Harriman, Ripley & Co. Inc. **Bids**—Tentatively scheduled to be received at 11 a.m. (CST) on Jan. 27 at Room T, National Safe Deposit Co., First National Bank Bldg., 38 So. Dearborn Street, Chicago, Ill.

Ispetrol Corp., New York
Oct. 29 filed 49,500 shares of common stock. **Price**—At par ($100 per share). **Proceeds**—To finance purchase of crude oil for Israeli enterprises and to purchase crude oil and oil products for resale in Israel. **Underwriter**—Israel Securities Corp., New York.

Israel Industrial & Mineral Development Corp.
Oct. 6 filed 30,000 shares of class A stock. **Price**—At par ($100 per share). **Proceeds**—For industrial and mineral development of Israel. **Underwriter** — Israel Securities Corp., New York.

★ **Jim Creek Mines, Inc., Spokane, Wash.**
Jan. 6 (letter of notification) 70,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—For exploration and development. **Office** — 1114 Second Ave., Spokane, Wash. **Underwriter**—None.

● **Kansas City Power & Light Co. (1/19)**
Dec. 18 filed $12,000,000 first mortgage bonds due 1983. **Proceeds**—To repay bank loans and for new construction. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Glore, Forgan & Co.; Blyth & Co., Inc., and Lazard Freres & Co. (jointly); The First Boston Corp.; White, Weld & Co. and Shields & Co. (jointly); Smith, Barney & Co.; Kuhn, Loeb & Co., Salomon Bros. & Hutzler and Union Securities Corp. (jointly); Equitable Securities Corp.; Lehman Brothers and Bear, Stearns & Co. (jointly); Harriman Ripley & Co., Inc. **Bids**—To be received up to 11 a.m. (EST) on Jan. 19 at Suite 1730, 165 Broadway, New York, N. Y.

★ **Kennard Corp., St. Louis, Mo.**
Jan. 7 (letter of notification) 8,063 shares of capital stock. **Price**—$6.15 per share. **Proceeds**—For working capital. **Office**—1819 So. Hanley Rd., St. Louis 17, Mo. **Underwriter**—None.

● **Kroger Co., Cincinnati, Ohio**
Dec. 12 filed 16,871 shares of common stock (no par) to be issuable upon exercise of options to purchase common stock held by certain officers and executives of the company and Wesco Foods Co., a subsidiary. The options are exercisable in 1953. **Underwriter**—None. Statement effective Jan. 7.

★ **Lassiter Corp., Charlotte, N. C.**
Jan. 8 (letter of notification) 1,000 shares of class A common stock (par $5) and 1,000 shares of class B stock (par $5). **Price**—$10 per share. **Proceeds**—To a selling stockholder. **Underwriter**—R. S. Dickson & Co., Charlotte, N. C.

★ **Louisville Gas & Electric Co. (Ky.) (1/29-30)**
Jan. 8 filed 200,000 shares of common stock (no par) to be offered for subscription by common stockholders of record Jan. 29 at rate of one new share for each seven shares held; rights expire Feb. 17. **Price**—To be supplied by amendment. **Proceeds**—For property additions and improvements. **Underwriters** — Lehman Brothers and Blyth & Co., Inc., both of New York.

Magma King Manganese Mining Co.
Nov. 12 (letter of notification) 553,500 shares of common stock (par 10 cents). **Price**—50 cents per share. **Proceeds**—For working capital. **Office** — 532 Security Bldg., Phoenix, Ariz. **Underwriter**—Weber-Millican Co., New York.

McCarthy (Glenn), Inc.
June 12 filed 10,000,000 shares of common stock (par 25 cents). **Price**—$2 per share. **Proceeds** — For drilling of exploratory wells, acquisition of leases and for general corporate purposes. **Underwriter**—B. V. Christie & Co., Houston, Tex. **Dealer Relations Representative**—George A. Searight, 50 Broadway, New York, N. Y. **Telephone** WHitehall 3-2181. **Offering**—Date indefinite.

McGraw (F. H.) Co., Hartford, Conn.
Sept. 10 (letter of notification) 5,000 shares of common stock (par $2) and warrants to purchase 20,000 shares of common stock at $6 per share to be offered in units of one share and warrants to purchase four additional shares. **Price**—$19.87½ per share. **Proceeds**—To Clifford S. Strike, the selling stockholder. **Underwriter**—Granbery, Marache & Co., New York.

Mex-American Minerals Corp., Granite City, Ill.
Nov. 3 filed 113,000 shares of 6% cumulative preferred stock (par $5) and 113,000 shares of common stock (par 10 cents) to be offered in units of one share of each class of stock. **Price**—$6 per unit. **Proceeds**—For working capital. **Business**—Purchase, processing, refining and sale of Fluorspar. **Underwriter** — To be supplied by amendment.

Mid-Gulf Oil & Refining Co.
Nov. 10 (letter of notification) 400,000 shares of common stock (par five cents). **Price**—60 cents per share. **Proceeds**—To acquire additional properties. **Office**—927-929 Market St., Wilmington, Del. **Underwriter**—W. C. Doehler Co., Jersey City, N. J.

★ **Minneapolis Gas Co. (1/27)**
Jan. 7 filed 164,000 shares of common stock (par $1) to be offered for subscription by common stockholders at rate of one new share for each eight shares held. **Price**—To be supplied by amendment. **Proceeds** — To retire 5,841 shares of $6 preferred stock (at an estimated cost of $613,305) and for new construction. **Underwriter**—Kalman & Co., Inc., Minneapolis, Minn. Private placement of first mortgage bonds is also planned.

★ **Monarch Fertilizer Co., Muskogee, Okla.**
Jan. 6 (letter of notification) 2,000 shares of common stock (par $100) to be offered in units of 10 shares or multiples thereof (including 110 shares to be issued to K. A. Schmitt for land and equipment). **Price** — $1,000 per unit of 10 shares. **Proceeds**—For property and improvements. **Office** — 412 Court St., Muskogee, Okla. **Underwriter**—None.

● **Montana Basin Oil Corp. (N. Y.)**
Sept. 19 (letter of notification) 300,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For exploration and development expenses. **Underwriter**—Aetna Securities Corp., New York. Letter withdrawn.

Montreal Transportation Commission (Canada) (1/20)
Dec. 31 filed $18,000,000 of 4¼% sinking fund debentures due Jan. 1, 1973. **Price**—To be supplied by amendment. **Proceeds**—To repay bank loans and for general funds. **Underwriters** — Shields & Co., New York, and Savard & Hart, Montreal, Canada.

★ **Mutual Trust, Kansas City, Mo.**
Jan. 13 filed 200,000 shares of beneficial interest in the trust. **Proceeds**—For investment. **Underwriter**—Investors Fund, Inc., Kansas City, Mo.

Nevada Tungsten Corp., Mina, Nev.
Nov. 21 (letter of notification) 4,000,000 shares of common stock (par one cent). **Price**—Five cents per share. **Proceeds**—For working capital. **Underwriter**—Tellier & Co., New York. **Offering**—No date set.

● **New York Airways, Inc., New York (1/19-23)**
Dec. 23 filed 100,000 shares of capital stock (par $1). **Price**—To be supplied by amendment. **Proceeds**—For working capital and general corporate purposes. **Business**—Operation of mail and passenger helicopter service in New York City. **Underwriter**—Smith, Barney & Co., New York. **Offering**—Expected week of Jan. 12.

Nielco Chemicals, Inc., Detroit, Mich.
Nov. 19 (letter of notification) 34,800 shares of common stock. **Price**—At par ($5 per share). **Proceeds**—To liquidate notes. **Office**—8129 Lyndon Ave., Detroit 21, Mich. **Underwriter**—Smith, Hague & Co., Detroit, Mich.

★ **Northern Indiana Public Service Co. (1/22)**
Jan. 7 filed 80,000 shares of cumulative preferred stock (par $100). **Price**—To be supplied by amendment. **Proceeds**—For construction program. **Underwriters**—Central Republic Co. (Inc.), Chicago, Ill.; Blyth & Co., Inc., New York; and Merrill Lynch, Pierce, Fenner & Beane, New York.

Northland Oils, Ltd., Calgary, Alta., Canada
Nov. 21 filed 1,000,000 shares of capital stock (par 20 cents—Canadian) and subscription warrants for 600,000 shares, of which the stock and subscription warrants for 400,000 shares are to be offered in units of 100 shares of stock and subscription warrants for 40 shares. **Price**—$52 per unit. **Proceeds**—For drilling of additional wells and to purchase producing wells. **Underwriter**—M. S. Gerber, Inc., New York.

● **Nyal Co., Detroit, Mich. (1/19)**
Dec. 28 (letter of notification) 200,000 shares of common stock (par 10 cents). **Price**—$1.25 per share. **Proceeds**—To repay loans and for working capital. **Underwriter**—Gearhart & Otis, Inc., New York.

Ohio Edison Co.
Dec. 11 filed 479,846 shares of common stock (par $12) being offered for subscription by common stockholders of record Jan. 8, 1953 on the basis of one new share for each ten shares held (with an oversubscription privilege); rights to expire on Jan. 23, 1953. **Price** — $35.25 per share. **Proceeds** — For repayment of bank loans and for new construction. **Underwriters**—Morgan Stanley & Co.

● **Ohio Power Co. (1/20)**
Dec. 18 filed $22,000,000 first mortgage bonds due 1983. **Proceeds**—To repay bank loans and for new construction. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Union Securities Corp. and Salomon Bros. & Hutzler (jointly); Kuhn, Loeb & Co.; Harriman Ripley & Co., Inc., and Stone & Webster Securities Corp. (jointly); Blyth & Co., Inc.; Glore, Forgan & Co. **Bids**—To be received up to 11 a.m. (EST) on Jan. 20 at office of American Gas & Electric Service Corp., 30 Church Street, New York 8, N. Y.

● **Ohio Power Co. (1/20)**
Dec. 18 filed 100,000 shares of cumulative preferred stock (par $100). **Proceeds**—For new construction. **Underwriters**—To be determined by competitive bidding. Probable bidders: Blyth & Co., Inc.; Dillon, Read & Co. Inc.; Harriman Ripley & Co., Inc., and Stone & Webster Securities Corp. (jointly); Glore, Forgan & Co.; Lehman Brothers; The First Boston Corp.; Union Securities Corp. and Salomon Bros. & Hutzler (jointly). **Bids**—To be received up to 11 a.m. (EST) on Jan. 20 at office of American Gas & Electric Service Corp., 30 Church St., New York 8, N. Y.

★ **Ontario (Province of) (1/28)**
Jan. 9 filed $50,000,000 of 22-year debentures due Feb. 1, 1975. **Price**—To be supplied by amendment. **Proceeds**—To go to the province's Hydroelectric Power Commission, whose expansion program is reported to total about $139,000,000. **Underwriters** — Harriman Ripley & Co., Inc.; Wood, Gundy & Co., Inc.; First Boston Corp.; Smith, Barney & Co.; Dominion Securities Corp.; A. E. Ames & Co., and McLeod, Young, Weir, Inc.

● **Pan American Sulphur Co. (1/19-20)**
Dec. 24 filed 499,325 shares of capital stock (par 70 cents) to be offered for subscription by stockholders at rate of one new share for each 2½ shares held. **Price**—$7 per share. **Proceeds**—For new construction and working capital. **Underwriters**—Kuhn, Loeb & Co. and Carl M. Loeb, Rhoades & Co., both of New York.

Paradise Valley Oil Co., Reno, Nev.
Aug. 20 filed 3,000,000 shares of capital stock. **Price**—At par (10 cents per share). **Proceeds**—To drill six wells on subleased land and for other corporate purposes. **Underwriter**—None, with sales to be made on a commission basis (selling commission is two cents per share). **Office**—c/o Nevada Agency & Trust Co., Inc., Cheney Bldg., 139 N. Virginia St., Reno, Nev.

★ **Permachem Corp., N. Y.**
Jan. 6 (letter of notification) 300,000 shares of Class A common stock (par 10 cents). **Price**—$1 per share.

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Proceeds—For further development, testing and research and for working capital. **Office** — 270 Park Ave., New York. **Underwriter**—Peter W. Spiess Co., New York.

● **Pinewald Finance & Construction Corp.**
Jan. 5 (letter of notification) 5,600 shares of 6% preferred stock (par $10) and 2,800 shares of common stock to be sold in units of two preferred shares and one common share being first offered on Jan. 15, 1953 to a restricted clientele, but open to the public after Feb. 13, 1953. **Price** — $26 per unit. **Proceeds** — Working capital for construction of homes. **Address**—Box 174, Bayville, N. J. **Underwriter**—None.

★ **Pitney-Bowes, Inc., Stamford, Conn.**
Jan. 7 (letter of notification) 7,951 shares of common stock to be offered for subscription under the company's Employees' Stock Purchase Plan.

Powers Manufacturing Co.
Sept. 25 filed 250,000 shares of common stock (par $1). **Price** — $2 per share. **Proceeds** — For machinery and equipment and new construction. **Business**—Production of heavy duty power transmission chain, prockets, gears, etc. **Office**—Longview, Tex. **Underwriter**—Dallas Rupe & Son, Dallas, Texas.

Regent Manufacturing Co., Inc., Downey, Calif.
Dec. 31 (letter of notification) $150,000 of first mortgage bonds, of which 130 units will be issued at $1,020 each and 40 units at $510 each. **Proceeds**—For building and equipment. **Office**—11905 Regentview Avenue, Downey, Calif. **Underwriter** — Hopkins, Harbach & Co., Los Angeles, Calif.

★ **Reid Ray Television Productions, Inc., St. Paul, Minn.**
Jan. 6 (letter of notification) 20,000 shares of common stock (no par), of which 3,100 shares are to be issued to certain officers for services rendered and to Reid H. Ray Film Industries, Inc., for 25,000 feet of film. **Price**—$10 per share. **Proceeds**—For working capital. **Underwriter**—None.

★ **Rimrock Drilling Co., Inc., Englewood, Colo.**
Jan. 6 (letter of notification) 200,000 shares of common stock, of which 75,000 shares are to be issued in payment of oil and gas leases and interests. **Price**—At par ($1 per share). **Proceeds**—For drilling and equipment. **Office**—2831 So. Lincoln St., Englewood, Colo. **Underwriter**—None.

★ **Rochdale Cooperative Services, Inc., Washington, D. C.**
Dec. 31 (letter of notification) 20,000 shares of common stock (no par). **Price**—$1.53 per share. **Proceeds**—For expansion program. **Office**—26th and Virginia Sts., N.W., Washington 7, D. C. **Underwriter**—None.

★ **Shepard Gardens, Newark, N. J.**
Jan. 13 (letter of notification) 100 shares of preferred stock to Federal Housing Administration and 28 shares of common stock to members of the cooperative. **Price**—For preferred, $1 per share; for common, $995 per share. **Proceeds** — For payment of expenses and other monies required to be put up by FHA in connection with project. **Office** — 24 Commerce St., Newark 2, N. J. **Underwriter**—None.

★ **Shirks Motor Express Corp. (Del.)**
Jan. 8 (letter of notification) 20,000 shares of 6% cumulative preferred stock. **Price**—At par ($10 per share). **Proceeds**—For working capital. **Office**—Manheim Pike, Lancaster, Pa. **Underwriter**—Alex. Brown & Sons, Baltimore, Md.

Sinclair Oil Corp.
Nov. 10 filed 298,735 shares of common stock (no par) to be offered to certain officers and other employees of the company and its subsidiaries under the Stock Purchase and Option Plan. **Price**—$39.50 per share. **Proceeds**—For general corporate purposes. **Underwriter**—None.

● **Sinclair Oil Corp.**
Dec. 18 filed $101,758,900 convertible subordinated debentures due Jan. 15, 1983, being offered for subscription by common stockholders of record Jan. 9 at rate of $100 of debentures for each 12 shares of common stock held. Rights will expire on Jan. 26. **Price** — At 100% (flat). **Proceeds**—For capital expenditures, to repay $40,000,000 bank loans and other corporate purposes. **Underwriters**—Smith, Barney & Co. and Merrill Lynch, Pierce, Fenner & Beane, both of New York City.

Smith (Alexander), Inc.
Dec. 16 (letter of notification) 6,625 shares of common stock, of which 3,625 shares are to be sold immediately and 3,000 shares in January, 1953. **Price**—At market. **Proceeds**—To Alexander S. Cochran, a director. **Underwriter**—None.

● **Southern California Edison Co.**
Dec. 11 filed 500,000 shares of common stock (par $25). **Proceeds**—To retire bank loans and for new construction. **Underwriters**—Blyth & Co., Inc., New York. **Price** — Expected at $37.75 per share. **Offering** — Probably today.

★ **Southwestern Public Service Co. (2/3)**
Jan. 13 filed 293,462 shares of common stock (par $1) to be offered for subscription by common stockholders of record Feb. 2 at the rate of one new share for each 12 shares held (with an oversubscription privilege); rights to expire on Jan. 16. **Price**—To be supplied by amendment. **Proceeds**—For construction program. **Underwriter**—Dillon, Read & Co. Inc., New York.

★ **Southwestern Public Service Co. (2/3)**
Jan. 13 filed $12,000,000 of first mortgage bonds due 1978 and 20,000 shares of cumulative preferred stock (par $100). **Price**—To be supplied by amendment. **Proceeds**—To repay bank loans and for expansion program. **Underwriter**—Dillon, Read & Co. Inc., New York.

Standard Sulphur Co., New York
Nov. 7 filed 1,250,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For construction of plant and purchase of new equipment and for working capital. **Underwriters**—Gearhart & Otis, Inc., and F. L. Rossmann & Co., both of New York.

★ **Star Air Freight Lines, Inc.**
Jan. 13 (letter of notification) 1,250 shares of common stock (no par). **Price**—$100 per share. **Proceeds** — To purchase capital stock of Quaker City Airways, Inc. (Pa.) and for working capital. **Office**—2 East 33rd St., New York. **Underwriter**—None.

★ **Stevens (Donald G.), Cismont, Va.**
Dec. 29 (letter of notification) $70,000 of 6% debentures, 300 shares of 6% cumulative preferred stock (par $100) and 1,000 shares of common stock (par $1) to be sold in units of a $700 debenture, three shares of preferred stock and 10 shares of common stock. **Price**—$1,010 per unit (pre-organization subscriptions). **Proceeds** — For production of demonstration units. **Underwriter**—None.

Sun Fire Insurance Co., Phoenix, Ariz.
Dec. 22 filed 1,000,000 shares of capital stock (par $1). **Price**—$1.50 per share. **Proceeds**—To qualify to do business in Arizona. **Underwriter**—None. Offering to be made initially to persent and future policyholders of company and to certain specified officers and directors.

● **Sweet Grass Oils, Ltd., Toronto, Canada**
July 29 filed 375,000 shares of common stock (no par). **Price**—To be related to quotation on the Toronto Stock Exchange at time of offering. **Proceeds** — For working capital. **Underwriter**—F. W. MacDonald & Co., Inc., New York. **Offering**—Expected at any time.

Texas Oil Exploration Co., Fort Worth, Tex.
Dec. 5 (letter of notification) 1,200,000 shares of common stock (par 10 cents). **Price**—25 cents per share. **Proceeds**—To drill oil and gas wells and for acquisition of properties. **Underwriter**—Peter W. Spiess Co., New York.

● **Texas Western Oil Co., Houston, Tex.**
Nov. 12 (letter of notification) 100,000 shares of common stock (par 10 cents). **Price**—50 cents per share. **Proceeds**—For working capital. **Office**—1 Main St., Houston, Tex. **Underwriter** — Scott, Khoury & Co., Inc., New York. **Offering**—Not expected until end of January.

Torhio Oil Corp., Ltd., Toronto, Canada
Aug. 21 filed 300,000 shares of common stock (par $1) to be offered first to stockholders and then to the general public. **Price** — 60 cents per share. **Proceeds**—For exploration of oil and gas properties, and to drill a test well. **Underwriter**—None, but offering to public will be handled through brokers.

United Petroleum & Mining Corp., Bismarck, N. D.
Nov. 17 (letter of notification) 150,000 shares of class A voting stock and 150,00 shares of 4% class B non-voting stock. **Price**—$1 per share. **Proceeds**—To purchase oil and gas leases. **Office**—222 Main Street, Bismarck, N. D. **Underwriter**—John G. Kinnard & Co., Minneapolis, Minn.

United Security Life, Phoenix, Ariz.
Dec. 2 (letter of notification) 75,000 shares of class A common stock (par $1) and 2,500 participating units to be sold in units of 30 shares and one participating unit. **Price**—$120 per unit. **Proceeds**—To increase capital and surplus. **Office**—7 Weldon, Phoenix, Ariz. **Underwriter**—Life Underwriters, Inc., Phoenix, Ariz.

Video Inc. (Pa.)
Dec. 29 (letter of notification) 69,725 shares of 5% cumulative convertible preferred stock. **Price**—At par ($2 per share). **Proceeds**—For payment of debt, equipment and inventory and for working capital. **Underwriter**—Graham & Co., Pittsburgh, Pa.

Wagner Electric Corp., St. Louis, Mo.
Dec. 22 (letter of notification) 1,700 shares of common stock (par $15). **Price**—At market (approximately $50 per share). **Proceeds**—To stockholders entitled to receive fractional shares in connection with stock dividend paid Dec. 15. **Underwriter**—G. H. Walker & Co., St. Louis, Mo.

★ **Water Island, Inc., Virgin Islands, U. S. A.**
Jan. 6 (letter of notification) 2,300 shares of 6% noncumulative preferred stock (par $100) and 69,000 shares of common stock (par $1) in units of one share of preferred and 30 shares of common stock. **Price**—$130 per unit. **Proceeds**—For improvement of property and working capital. **Address** — St. Thomas Harbor, Charlotte Amalie, St. Thomas, U. S. A. **Underwriter**—None, sales to be made through officers (Walter H. Phillips, President, and Floride Phillips, Treasurer and Secretary, both of 34 East 51st St., New York City) and members of NASD.

West Coast Pipe Line Co., Dallas, Tex.
Nov. 20 filed $29,000,000 12-year 6% debentures due Dec. 15, 1964, and 580,000 shares of common stock (par 50 cents) to be offered in units of one $50 debenture and one share of stock. **Price**—To be supplied by amendment. **Proceeds**—From sale of units and 1,125,000 additional shares of common stock and private sale of $55,000,000 first mortgage bonds, to be used to build a 1,030-mile crude oil pipeline. **Underwriters**—White, Weld & Co. and Union Securities Corp., both of New York. **Offering**—Expected in the Spring of 1953.

West Coast Pipe Line Co., Dallas, Tex.
Nov. 20 filed 1,125,000 shares of common stock (par 50 cents). **Price**—To be supplied by amendment. **Proceeds**—Together with other funds, to be used to build pipeline. **Underwriters**—White, Weld & Co. and Union Securities Corp., both of New York. **Offering**—Expected in the Spring of 1953.

● **West Penn Electric Co. (1/21)**
Dec. 19 filed 264,000 shares of common stock (no par) to be offered for subscription by common stockholders of record Jan. 22, on a 1-for-15 basis; rights to expire on Feb. 9. It is expected that subscription warrants will be mailed on or about Jan. 23. **Proceeds**—To purchase about $5,000,000 additional common stock of Monongahela Power Co. and for general corporate purposes. **Underwriters**—To be determined by competitive bidding. Probable bidders: W. C. Langley & Co. and First Boston Corp. (jointly); Lehman Brothers and Goldman, Sachs & Co. (jointly); Harriman Ripley & Co. Inc. **Bids**—To be received up to 11 a.m. (EST) on Jan. 21 at office of company, 50 Broad Street, New York 4, N. Y. Statement effective Jan. 9.

★ **Western Empire Oil Co., Denver, Colo.**
Jan. 6 (letter of notification) 35,520 shares of common stock. **Price**—At par (10 cents per share). **Proceeds**—To pay for options. **Office** — 222 Patterson Bldg., Denver, Colo. **Underwriter**—None.

Westshore Hospital, Inc., Tampa, Fla.
Dec. 3 (letter of notification) 30,000 shares of common stock (of which 1,250 shares will be issued to Dr. Samuel G. Hibbs and John R. Himes for services rendered). **Price**—At par ($10 per share). **Proceeds**—For property and equipment expenses. **Office**—349 Plant Ave., Tampa, Fla. **Underwriter**—Louis C. McClure & Co., Tampa, Fla.

★ **Wondermatch Corp., San Juan, Puerto Rico, and New York**
Jan. 8 (letter of notification) 300,000 shares of common stock, (par one cent). **Price**—$1 per share. **Proceeds**—To purchase for U.S.A. from Invex Corp. of Sweden to manufacture a repeating match and also to purchase the necessary machinery and equipment for said manufacturing. **Offices**—150 Calle Tetuan, San Juan, Puerto Rico, and 42 Broadway, New York, N. Y. **Underwriter**—None.

Prospective Offerings

Aluminium Ltd.
Oct. 15 directors expected that additional financing will be undertaken in 1953 to meet the major part of the increase in the estimated cost of the expansion program. The First Boston Corp., and A. E. Ames & Co., Ltd., acted as dealer-managers in stock offering to stockholders in Oct. 1951.

Arizona Public Service Co.
Dec. 30 it was reported company is considering sale of additional common stock. **Underwriter**—Probably The First Boston Corp.

Arkansas Power & Light Co.
Dec. 15 it was reported company may issue and sell, probably in June, 1953, about $15,000,000 of first mortgage bonds. **Proceeds**—To repay bank loans and for new construction. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Lehman Brothers and Stone & Webster Securities Corp. (jointly); The First Boston Corp.; White, Weld & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly); Equitable Securities Corp. and Central Republic Co. (jointly).

Bank of the Manhattan Company (1/23)
Dec. 19 it was announced Bank plans offering of 250,000 additional shares of capital stock to its stockholders on a one-for-ten basis. Stockholders will vote Jan. 23, on increasing capitalization from 2,500,000 shares to 2,750,000 shares (par $10). **Underwriter**—Probably The First Boston Corp., New York.

★ **Butler Manufacturing Co.**
Jan. 7 stockholders were to vote on increasing authorized preferred to 50,000 shares from 7,500 shares and authorized common stock to 600,000 shares from 300,000 shares. No immediate financing planned.

● **Carborundum Co.**
Jan. 6 Clinton F. Robinson, President, announced that the Mellon family, and various foundations and trusts established by them, plan to sell approximately one-fourth of their holdings of 71% of 1,500,000 outstanding shares of Carborundum Co. stock. **Offering**—Expected during first quarter of this year. **Underwriter**—The First Boston Corp., New York. **Registration** — Expected in beginning of February.

Central Maine Power Co.
Dec. 27, William F. Wyman, President, announced company early in 1953 intends to issue and sell $10,000,000 of first and general mortgage bonds. **Proceeds**—To refund outstanding short-term notes. **Underwriters**—To be determined by competitive bidding. Probable bidders—Halsey, Stuart & Co. Inc.; Coffin & Burr, Inc. and The First Boston Corp. (jointly); Blyth & Co., Inc. and Kidder, Peabody & Co. (jointly); Merrill Lynch, Pierce, Fenner & Beane and White, Weld & Co. (jointly); Harriman Ripley & Co., Inc.; Salomon Bros. & Hutzler. The company has no present plans to issue additional common stock.

★ **Chicago Great Western Ry.**
Jan. 9 William N. Deramus, 3rd, President, stated that the company is planning issuance and sale of $6,000,000 collateral trust bonds to be secured by $9,000,000 first mortgage bonds held in the treasury. **Proceeds**—To pay off $3,000,000 of notes and for working capital. **Underwriters** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co., Inc.

Cinerama Productions Corp.
Dec. 11 it was reported corporation may sell $5,000,000 of securities (probably common stock). **Underwriter**—May be Hayden, Stone & Co., New York.

● **Consolidated Edison Co. of New York, Inc. (2/17)**
Jan. 6 company announced it plans to issue and sell $40,000,000 of first and refunding mortgage bonds, series I, due 1983. **Proceeds**—To repay bank loans and for construction program. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart &

Co. Inc.; Morgan Stanley & Co.; The First Boston Corp. **Bids**—Expected to be received about Feb. 17.

Culver Corp., Chicago, Ill. (1/26)
Nov. 22 it was announced that company proposes to offer to stockholders on or about Jan. 26, 1953, a total of 23,640 additional shares of common stock on a share-for-share basis; rights to expire Feb. 9. **Price**—At par ($2 per share). **Proceeds**—For investment. **Office**—105 West Madison Street, Chicago, Ill. **Underwriter**—None.

Dallas Power & Light Co. (3/24)
Dec. 15 it was reported company may issue and sell in March, 1953, about $9,000,000 of first mortgage bonds. **Proceeds**—For construction program. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; The First Boston Corp.; Lehman Brothers; Kidder, Peabody & Co.; Equitable Securities Corp.; Union Securities Corp.; Harriman Ripley & Co., Inc. **Registration**—Expected Feb. 16. **Bids**—Tentatively scheduled to be received on March 24.

Equitable Gas Co.
Nov. 20 it was announced company may offer early next year $10,000,000 of preferred stock. **Proceeds**—To repay $8,000,000 of bank loans and for construction program. **Underwriters**—May be determined by competitive bidding. Probable bidders: Blyth & Co., Inc.; Kidder, Peabody & Co.; White, Weld & Co.; The First Boston Corp.; Merrill Lynch, Pierce, Fenner & Beane. **Meeting** — Stockholders will vote Jan. 20 on authorizing an issue of $20,000,000 preferred stock (par $100). **Offering**—Expected around the middle of February.

● **First National Bank of Atlanta, Ga.**
Dec. 20 it was announced bank plans to issue and sell to stockholders an additional 100,000 shares of capital stock (par $10) on a basis of one new share for each six shares held Jan. 13; rights to expire Jan. 30. **Price**—$30 per share. **Proceeds**—To increase capital and surplus. **Underwriters**—Equitable Securities Corp.; Courts & Co.; Merrill Lynch, Pierce, Fenner & Beane; Robinson-Humphreys Co.; Clement A. Evans & Co.

★ **Florida Power & Light Co. (4/7)**
Jan. 7 it was reported company plans to issue and sell $15,000,000 of first mortgage bonds due 1983. **Proceeds**—To pay bank loans and for new construction. **Underwriters** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co.; Harriman Ripley & Co., Inc.; Lehman Brothers; The First Boston Corp.; Merrill Lynch, Pierce, Fenner & Beane; Shields & Co.; White, Weld & Co.; Carl M. Loeb, Rhoades & Co. and Bear, Stearns & Co. **Bids**—Expected April 7. **Registration**—Tentatively planned for March 2.

Follansbee Steel Corp.
Dec. 16, M. A. Follansbee, President, said the company plans additional equity financing, totaling about $4,500,000. This may be done through a rights offering to stockholders. **Proceeds**—Together with funds from proposed $29,500,000 RFC loan, would be used for expansion program. **Underwriters**—May include Cohu & Co., New York. **Offering**—Expected in February.

★ **Food Fair Stores, Inc.**
Jan. 7 it was reported early registration is planned of $12,000,000 of bonds. **Underwriter**—Eastman, Dillon & Co., New York.

Garrett Freightlines, Inc.
Oct. 17 it was announced company has applied to ICC for authority to issue and sell $1,100,000 6% convertible debentures due 1967. **Price**—At par. **Proceeds**—To retire outstanding debentures and preferred stock and for new equipment and working capital. **Underwriter**—Allen & Co., New York; Peters, Writer & Christenson, Denver, Colo.; and Edward D. Jones & Co., St. Louis, Mo.

General Public Utilities Corp.
Nov. 15, A. F. Tegen, President, announced that its domestic subsidiaries may spend around $80,000,000 for new construction in 1953. Of this total, $15,000,000 will be provided internally leaving about $65,000,000 to be financed by the sale of securities. Subsidiaries expect to sell around $49,000,000 of bonds, debentures and preferred stocks and GPU will furnish about $16,000,000 to them. GPU expects to obtain the funds from bank loans, the sale of debentures, the sale of common stock or a combination of these. If present conditions continue well into next year. GPU would expect to offer additional shares to stockholders rather than resort to borrowing. Merrill Lynch, Pierce, Fenner & Beane acted as clearing agent in last stock offer.

Gulf States Utilities Co.
Dec. 22 it was reported company plans to issue and sell some additional stock this coming spring. **Underwriters**—To be determined by competitive bidding. Probable bidders: Merrill Lynch, Pierce, Fenner & Beane and Lehman Brothers (jointly); Stone & Webster Securities Corp.

Illinois Central RR. (1/22)
Bids will be received up to noon (CST) on Jan. 22 at the company's office, Room 301, 135 East 11th Place, Chicago 5, Ill., for the purchase from it of $6,000,000 equipment trust certificates, series 36, to be dated Feb. 1, 1953, and to mature in 30 equal semi-annual instalments up to and including Feb. 1, 1968. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Bear, Stearns & Co.

Iowa Southern Utilities Co.
Dec. 31 it was announced company plans to issue and sell $7,000,000 first mortgage bonds due 1983. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co.; The First Boston Corp.; Kidder, Peabody & Co.; Lehman Brothers, Bear, Stearns & Co., Equitable Securities Corp. and Salomon Bros. & Hutzler (jointly). **Bids** — Expected to be received in February. **Registration**—Probably late in January.

Jersey Central Power & Light Co.
Dec. 15 it was reported company plans to issue and sell $9,000,000 of first mortgage bonds due 1983. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; White, Weld & Co. and Shields & Co. (jointly); Equitable Securities Corp.; The First Boston Corp.; Salomon Bros & Hutzler; Glore, Forgan & Co.; Kidder, Peabody & Co.; Harriman Ripley & Co., Inc. **Offering**—Probably in April, 1953.

Long Island Lighting Co.
Dec. 15 it was announced company has established a bank credit in the amount of $40,300,000 extending to Dec. 1, 1953, to be refinanced by the issuance of new securities. **Underwriters**—(1) For common stock, probably Blyth & Co., Inc. and The First Boston Corp. (jointly). (2) For preferred stock, may be W. C. Langley & Co. (3) For bonds, to be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc. and The First Boston Corp. (jointly); W. C. Langley & Co.; Smith, Barney & Co.

Louisiana Power & Light Co.
Dec. 15 it was announced company may issue and sell in mid-year about $10,000,000 of first mortgage bonds. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co. and Lehman Brothers (jointly); Blyth & Co., Inc.; White, Weld & Co. and Shields & Co. (jointly); Salomon Bros. & Hutzler; W. C. Langley & Co.; The First Boston Corp., and Glore, Forgan & Co. (jointly); Merrill Lynch, Pierce, Fenner & Beane and Kidder, Peabody & Co. (jointly); Harriman Ripley & Co., Inc.

★ **Maine Central RR.**
Jan. 8 it was reported company may sell an issue of $17,000,000 of bonds. **Proceeds**—For refunding. **Underwriters** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kidder, Peabody & Co.; W. C. Langley & Co.; The First Boston Corp.; Merrill Lynch, Pierce, Fenner & Beane; Blyth & Co., Inc.; Glore, Forgan & Co. **Bids**—Expected possibly some time in February.

★ **Maryland Casualty Co., Baltimore, Md. (2/21)**
Jan. 8 it was announced the company plans to issue and sell about 400,000 shares common stock (par $1), rights going first to common stockholders of record Feb. 21 (probably on a one-for-two basis). **Underwriters**—May include Merrill Lynch, Pierce, Fenner & Beane; The First Boston Corp.; Lehman Brothers; and Paine, Webber, Jackson & Curtis. **Meeting**—Financing is subject to stockholders' approval on Feb. 10.

★ **Merritt-Chapman & Scott Corp. (3/27)**
Jan. 7, Ralph E. DeSimone, President, announced that primary rights would be issued to common stockholders of record March 27, 1953, to subscribe to additional common stock on basis of one new share for each five shares held (with an oversubscription privilege); rights will expire on April 14. There are presently outstanding 550,282 ($12.50 par) common shares, including shares reserved for scrip. **Proceeds** — For working capital. **Underwriter**—None.

Metropolitan Edison Co.
Dec. 15 it was reported company plans to issue and sell in May about $9,000,000 of first mortgage bonds due 1983. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co. and Salomon Bros. & Hutzler (jointly); White, Weld & Co.; The First Boston Corp.; Kidder, Peabody & Co. and Drexel & Co. (jointly); Harriman Ripley & Co., Inc. and Union Securities Corp. (jointly).

● **Mississippi Power & Light Co. (3/17)**
Dec. 15 it was reported company may issue and sell in March about $12,000,000 of first mortgage bonds due 1983. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; White, Weld & Co. and Kidder, Peabody & Co. (jointly); Merrill Lynch, Pierce, Fenner & Beane; Union Securities Corp.; The First Boston Corp. and W. C. Langley & Co. (jointly). **Bids** — Tentatively expected on March 17. **Registration**—Expected Feb. 11.

Monongahela Power Co.
Dec. 11 it was announced company plans issuance and sale near the middle of 1953 of $10,000,000 first mortgage bonds. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; W. C. Langley & Co. and The First Boston Corp. (jointly); Kuhn, Loeb & Co.; Kidder, Peabody & Co.; Glore, Forgan & Co.; Lehman Brothers; Equitable Securities Corp.; Union Securities Corp. and Salomon Bros. & Hutzler (jointly); Merrill Lynch, Pierce, Fenner & Beane; Harriman Ripley & Co., Inc.

Narragansett Electric Co.
Dec. 26 it was reported company has appllied to Rhode Island P. U. Commission for authority to issue and sell $10,000,000 first mortgage bonds, series D. **Proceeds**—To repay bank loans and for new construction. **Underwriters** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co. and Glore, Forgan & Co. (jointly); Salomon Bros. & Hutzler; Kidder, Peabody & Co. and Stone & Webster Securities Corp. (jointly); Lehman Brothers and Goldman, Sachs & Co. (jointly); Union Securities Corp.; The First Boston Corp.; White, Weld & Co. **Offering**—Expected early in 1953.

● **National City Bank of Cleveland**
Jan. 13 stockholders of record Jan. 2, 1953 were given the right to subscribe for 125,000 additional shares of capital stock (par $16) at the rate of one new share for each six shares held; rights to expire on Feb. 2. Offering is subject to approval of stockholders on Jan. 13. **Price**—$36 per share. **Proceeds**—To increase capital and surplus. **Underwriter**—Merrill, Turben & Co., Cleveland, Ohio.

New Jersey Power & Light Co.
Dec. 15 it was announced company plans issue and sale of about $4,000,000 first mortgage bonds due 1983. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Kidder, Peabody & Co. and White, Weld & Co. (jointly); Smith, Barney & Co.; Union Securities Corp.; Carl M. Loeb, Rhoades & Co. **Offering**—Probably in May.

● **New Orleans Public Service Inc. (4/14)**
Dec. 15 it was reported company plans to sell about $10,000,000 of first mortgage bonds due 1983. **Proceeds**—For new construction. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Lehman Brothers; Kidder, Peabody & Co. and Stone & Webster Securities Corp. (jointly); Equitable Securities Corp.; Union Securities Corp. **Bids** — Tentatively scheduled to be received on April 14.

● **New York, Chicago & St. Louis RR. (2/10)**
Dec. 22 company announced it plans to issue and sell $10,000,000 of refunding mortgage bonds. **Proceeds**—To retire $2,250,000 of short-term debt and for working capital. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kidder, Peabody & Co. and White, Weld & Co. (jointly); Morgan Stanley & Co.; Smith, Barney & Co.; White, Weld & Co.; Kuhn, Loeb & Co.; Union Securities Corp. **Bids**—To be received on Feb. 10.

★ **Niagara Mohawk Power Corp. (2/17)**
Jan. 8 it was disclosed company plans to issue and sell $25,000,000 of general mortgage bonds due 1983 and 1,000,000 shares of common stock. **Proceeds**—For repayment of $40,000,000 bank loans and for new construction. **Underwriters**—To be determined by competitive bidding. Probable bidders: (1) For bonds — Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; Kuhn, Loeb & Co.; Kidder, Peabody & Co.; The First Boston Corp. (2) For stock—Morgan Stanley & Co. and The First Boston Corp. (jointly); Merrill Lynch, Pierce, Fenner & Beane, Kidder, Peabody & Co. and White, Weld & Co. (jointly). **Bids** — Tentatively expected to be received about mid-February. **Registration** — Expected about Jan. 20.

★ **Northern Indiana Public Service Co.**
Jan. 7 it was announced that company plans to issue and sell an additional $23,000,000 of new securities in the near future (in addition to 80,000 shares of cumulative preferred stock now in SEC registration). **Proceeds**—For new construction.

Oklahoma Gas & Electric Co.
Nov. 13 it was announced company plans to issue and sell additional common stock at about a one-for-ten basis (2,411,945 shares of common stock outstanding). **Proceeds**—For new construction. **Underwriters**—May be determined by competitive bidding. **Probable bidders**: Lehman Brothers; The First Boston Corp.; Smith, Barney & Co. and Harriman Ripley & Co., Inc.

Pacific Northern Airlines, Inc.
Dec. 19 it was reported company plans early registration of about 400,000 shares of common stock. **Proceeds**—Together with other funds, to be used to purchase additional equipment. **Underwriters**—Emanuel, Deetjen & Co. and Hayden, Stone & Co. (with latter handling books).

Pacific Northwest Pipeline Corp.
Aug. 29 company filed a second substitute application with the FPC proposing to construct a 1,384-mile transmission line extending from the San Juan Basin in New Mexico and Colorado to market areas in the Pacific Northwest. Estimated overall capital cost of the project is $179,000,000. Financing is expected to consist of first mortgage pipe line bonds and preferred and common stocks, and is expected to be completed by April, 1953. **Underwriters**—White, Weld & Co. and Kidder, Peabody & Co., both of New York, and Dominion Securities Corp., Ltd., Toronto, Canada.

Pacific Telephone & Telegraph Co.
Dec. 17 Mark R. Sullivan, President, announced that company in 1953 will borrow some $125,000,000 from banks to be refinanced later in year, probably by offering of bonds and additional common stock. Probable bidders for bonds: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; White, Weld & Co.; Lehman Brothers and Union Securities Corp. (jointly). Stock would be offered to stockholders, without underwriting. American Telephone & Telegraph Co., parent, owns 91.25% of Pacific common shares.

Pennsylvania Electric Co.
Dec. 15 it was reported company plans to issue and sell in June about $9,250,000 first mortgage bonds due 1983 and a like amount later on. **Proceeds**—For construction program. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co.; Kidder, Peabody Co.; The First Boston Corp.; Equitable Securities Corp.

★ **Pennsylvania RR. (2/2)**
Jan. 6 it was reported that company may sell between $5,000,000 and $7,000,000 equipment trust certificates. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Kidder, Peabody & Co. **Bids**—Expected about Feb. 2.

Public Service Co. of New Hampshire
Nov. 3 it was announced company plans to issue and sell approximately $5,000,000 of bonds in May or June, 1953, and in the latter part of 1953 to issue sufficient common shares to raise about $4,000,000. **Proceeds**—To repay bank loans and for new construction. **Under-**

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writers—To be determined by competitive bidding. Probable bidders: For bonds, Halsey, Stuart & Co. Inc.; The First Boston Corp. and Coffin & Burr, Inc. (jointly); Kidder, Peabody & Co.; White, Weld & Co. For stock, Kidder, Peabody & Co. and Blyth & Co., Inc. (jointly); Harriman Ripley & Co. Inc.

Rockland Light & Power Co.
Nov. 12, F. L. Lovett, President, announced company expects to raise about $24,000,000 in the next two years through sale of bonds, and preferred and common stock, viz: $5,500,000 of first mortgage bonds and $5,500,000 prefererd stock in 1953 and $6,000,000 bonds, $6,000,000 preferred stock, and $1,000,000 common stock in 1954. **Proceeds**—For expansion program. **Underwriters** — For bonds and preferred stock may be determined by competitive bidding. Probable bidders: (1) For bonds—Halsey, Stuart & Co. Inc.; First Boston Corp. and Salomon Bros. & Hutzler (jointly); Stone & Webster Securities Corp.; Lehman Brothers, Bear, Stearns & Co. and A. C. Allyn & Co., Inc. (jointly); Merrill Lynch, Pierce, Fenner & Beane; Estabrook & Co. (2) For preferred—Stone & Webster Securities Corp.; Lehman Brothers; W. C. Langley & Co.; Estabrook & Co. and Kidder, Peabody & Co. (jointly). Common stock will probably be offered for subscription by stockholders.

★ Ross (J. O.) Engineering Corp. (1/19-23)
Jan. 12 it was reported a letter of notification may be filed shortly with SEC covering a block of common stock. **Proceeds**—To selling stockholders. **Underwriter**—Granbery, Marache & Co., New York.

San Diego Gas & Electric Co.
Dec. 29 it was reported that the company plans some new common stock financing in the near future. **Underwriter**—Blyth & Co., Inc., New York and San Francisco.

★ Seaboard Finance Co., Los Angeles, Calif.
Jan. 6 it was announced stockholders will on Jan. 22 vote on increasing authorized preferred stock to 500,000 from 400,000 shares. **Underwriter** — The First Boston Corp., New York.

★ South Carolina Electric & Gas Co.
Jan. 8 it was reported company is considering an offer of additional common stock, first to stockholders. **Underwriter**—Kidder, Peabody & Co., New York.

Southern Natural Gas Co.
Nov. 3 FPC authorized company to construct pipeline facilities estimated to cost $32,518,500. On Sept. 15 it had been announced that the company expects to sell additional bonds during the first six months of 1953 in the amount then permissible under its mortgage indenture, and to provide for other permanent financing by the sale of additional first mortgage bonds or other securities in such amounts as may be appropriate at the time. Probable bidders for bonds: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co.; The First Boston Corp., Blyth & Co. Inc. and Kidder, Peabody & Co. (jointly). Any stock financing may be via stockholders.

Southern Railway (1/29)
Dec. 5 it was reported company expects to open bids Jan. 29 on an issue of $3,600,000 equipment trust certificates. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Kidder, Peabody & Co.

● Southern Ry.
Dec. 23 it was announced company plans to issue and sell $10,000,000 of St. Louis-Louisville division first mortgage bonds. **Proceeds**—For refunding. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kidder, Peabody & Co. and White, Weld & Co. (jointly); Morgan Stanley & Co.; Kuhn, Loeb & Co. **Bids**—Had been tentatively scheduled for Jan. 22, but offering has been deferred due to market conditions.

● State Bank of Albany, N. Y. (1/29)
Dec. 15, Frederick McDonald, President, announced that company plans to offer (following approval on Jan. 27 of increase in capitalization) 101,725 additional shares of capital stock (par $10) on the basis of one new share for each three shares held Jan. 29; rights to expire Feb. 20. **Price** — To be determined by directors (probably around $25 per share). **Proceeds** — To increase capital and surplus. **Underwriter** — Salomon Bros. & Hutzler, New York.

Sylvania Electric Products Co. (2/9)
Dec. 19 it was reported company plans issue and sale sale of about $20,000,000 debentures and approximately 550,000 shares of common stock. **Underwriter** — Paine, Webber, Jackson & Curtis, of Boston, and New York. **Registration**—Tentatively scheduled for Jan. 20.

● Texas Electric Service Co. (4/13)
Dec. 15 it was reported company plans to issue and sell $9,000,000 first mortgage bonds due 1983 and 80,000 shares of preferred stock (par $100). **Proceeds**—For new construction. **Underwriters**—To be determined by competitive bidding. Probable bidders: (1) For stock, Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly); Kuhn, Loeb & Co.; Union Securities Corp.; Salomon Bros. & Hutzler. (2) For bonds, to be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co., Lehman Brothers and Blyth & Co., Inc. (jointly); Salomon Bros. & Hutzler; Union Securities Corp.; The First Boston Corp.; Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly); Hemphill, Noyes & Co. and Drexel & Co. (jointly). **Bids** — Expected on April 13. **Registration**—Tentatively scheduled for March 5.

Texas Power & Light Co.
Dec. 15 it was reported company may sell about $11,000,000 of first mortgage bonds. **Proceeds**—For new construction. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co., Blyth & Co., Inc., Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly); The First Boston Corp.; Union Securities Corp.; Hemphill, Noyes & Co. and Drexel & Co. (jointly); White, Weld & Co.; Lehman Brothers. **Offering**—Tentatively expected in May.

Texas Utilities Co.
Dec. 15 it was reported that following completion of proposed financing by Dallas Power & Light Co., Texas Electric Service Co. and Texas Power & Light Co., subsidiaries (which see) the parent plans to offer additional common stock to stockholders. **Underwriters** — Union Securities Corp., New York.

Washington Water Power Co.
Dec. 3 it was reported company may issue and sell in June, 1953, $10,000,000 of first mortgage bonds and between $14,000,000 and $18,000,000 of debentures. If competitive, bidders may include: Halsey, Stuart & Co. Inc.; Union Securities Corp. and Lehman Brothers (jointly); Blyth & Co., Inc., Smith, Barney & Co. and White, Weld & Co. (jointly); W. C. Langley & Co. and The First Boston Corp. (jointly).

Wisconsin Public Service Corp.
Nov. 26 it was announced that company plans permanent financing prior to June 1, 1953, which may include the issuance and sale of between $7,000,000 and $8,000,000 of bonds and from $2,000,000 to $3,000,000 of preferred stock. An indeterminate number of shares of common stock may be offered late in 1953 or early in 1954. Stock financing, if negotiated, may be handled by The First Boston Corp. and Robert W. Baird & Co. Probable bidders for bonds: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Union Securities Corp.; Kidder, Peabody & Co.; Shields & Co.; Merrill Lynch, Pierce, Fenner & Beane; Harris, Hall & Co. (Inc.); Carl M. Loeb, Rhoades & Co.; Salomon Bros. & Hutzler.

Continued from page 2

The Security I Like Best

tical drug companies are selling, I believe that, with seasoning, this stock, traded over-the-counter, could sell at 15 times earnings or more. Current market price is about 13½, and there are 622,180 shares of common stock ($1 par) presently outstanding. In addition, there are 5,000 shares of 5% cumulative preferred ($100 par) and $900,000 3¾% series notes.

R. B. WILLIAMS
Manager, Research Department,
Kidder, Peabody & Co., New York City
Members, New York Stock Exchange

Mead Johnson

This conservative-type equity has considerable appeal for 1953 holding, regardless of the trends from present high peaks for the "confidence level," business and the market.

R. B. Williams

Mead Johnson, a leading producer of such nutritionals as "Dextri-Maltose," "Pablum" cereals, vitamins, special milk products, mineral and protein additives, is expected to show some considerable improvement in 1953 earnings. Unless general business trends should happen to recede quite sharply, a gain of 10 to 15% over estimated sales and profits for 1952 of around $29.5 million and $1.15 per share, respectively, appears probable.

Several new and important ethical drug/nutritional products are anticipated this year—none of which has yet received much publicity except in clinical circles. Even in their earlier marketing stages, these products are expected to contribute in noticeable amounts to 1953 sales and earnings. The ultimate potential for them may also be for a very substantial increase in revenues and profits.

Dividend prospects are encouraging. While larger capital expenditures in connection with new products may represent a short-term limiting factor, it appears logical to anticipate 1953 payments totalling no less than the $0.70 paid last year.

The central reason for continued confidence in this situation is that a quiet renaissance in this 52-year-old company has been under way for the past few years. Production and distribution methods have been materially improved. Research expenditures have been tripled or quadrupled. Indications are that the awaited benefits from these efforts may now be about to unfold.

Research and new product development appear to be toward a broadening of the base and a widening of the profit margin (which, after declining sharply from 1943 to 1948, rose steadily through 1951). Obstetrical products are being added to the long established line of pediatric nutritionals. While the company itself avoids any reference to the subject, one or more of its present products have specific application in the field of geriatrics (old age ailments and treatment thereof). In view of population trends and the background of several of the company's scientists, there would appear to be some logic in the belief that at least some part of its research efforts are in that direction.

With an improved outlook for 1953 and beyond, this stock should perform at least moderately well in a continually upsurging stock market — if indeed that occurs throughout 1953.

The defensive characteristics of the stock, moreover, are impressive. The type of business, first of all, is generally stable as to demand and price. The record indicates that the company experienced good profits in both 1932 and 1938.

The stock, furthermore, appears to be thoroughly deflated from a statistical point of view. Current price is much on the low side of the 1936-52 range of 37½-38, and is actually lower than the 1939 average level. Net book value predicated on a conservative statement of assets amounts to around $9.50 per share, and the common stock has a net equity in working capital of approximately $4 per share. Ratio of price to probable 1953 earnings is only 11 times, and a yield around 5% appears indicated.

Against such a background, it would seem that there is much more to be gained than lost through ownership of this equity.

Our Reporter's Report

Emphasis, at the moment, in the new issue field appears to center around new equity issues. The secondary bond market currently seems to be undergoing another of its nervous phases.

The latter situation naturally is not conducive to any rush to bring out new debt offerings. Observers note that there has been little or no pickup in expected reinvestment demand during the past week.

Such inquiry is around but it continues to be of sparse proportions, indicating a disposition of potential buyers to hesitate for a spell. Perhaps if the air were a bit clearer in some directions such demand might assert itself.

But just now the interest of all elements in the investment field, underwriters as well as investors, appears to be centered around the weekly meeting of directors of the Federal Reserve Bank late today.

Reports have been persistent, and with due effect on the Treasury list and high-grade corporate bonds, that a change is likely in the rediscount rate. This central bank charge for accommodating its members in rediscounting their acceptable paper, has been at 1¾% for many months now.

The Treasury, however, has been paying more for short-term borrowings and commercial lending rates have moved up in recent months. It appears likely that the investment market will be on the anxious seat at least until it is convinced of what lies ahead in money rates.

Ohio Edison Preferred

With a number of more or less similar issues looming into sight underwriters were encouraged no end by the splendid reception accorded this week's offering of 150,000 shares of Ohio Edison Co. preferred stock.

Bought by bankers in competitive bidding at 100.419 for a 4.44% dividend rate, the stock was reoffered at a price of 102½ to yield about 4.33%. Other bidding groups, it was indicated, had anticipated reoffering on about a 4.35% basis.

They naturally were cheered by the brisk demand which greeted the stock at the price finally fixed. Several of the larger insurance companies are understood to have come in for sizable blocks. In fact it was reported that prebidding interest was the best for any issue in months.

Clearing the Skies

Dissolution of the syndicate which had been carrying the unsold portion of Pacific Telephone & Telegraph Co.'s $35,000,000 of 3¼s since the latter part of November must have been a relief to some of the smaller firms in the group.

Even though the bonds when the syndicate decided to let go, slipped down about 1½ points under the price paid for the issue, it meant loosening up of capital of such firms for employment elsewhere.

The bonds, naturally moving better now in a free market, are currently quoted around 99¾ bid and 100 asked.

Common Stocks Lead

Bankers were busy this week bidding for common equities of public utility firms. Among these was the "standby" operation on 617,669 shares for Consumers Power Co., for which the successful group named total compensation of $120,850 which averaged out to 19.56½ cents.

Other bids ran up to the equivalent of 22.342 a share. Common holders of record Jan. 15 are entitled to subscribe for one share for each ten held with rights expiring at the close on Jan. 30. Such offerings recently have been encountering substantial subscription first hand.

Southern California Edison's offering of 500,000 shares additional common brought a top of $37.08 a share, with a second group offering to pay $36.975. The winning syndicate here planned reoffering at 37¾ with a dealer concession of 40 cents a share.

Heronymus & Brinkman With Central Republic

(Special to THE FINANCIAL CHRONICLE)

SHEBOYGAN, Wis.—Mrs. Evelyn Heronymus and Magnus G. Brinkman have become associated with Central Republic Company of Chicago. Both were previously officers of Heronymus and Brinkman, Inc.

Public Utility Securities

By OWEN ELY

A Favorable View on Utility Regulation

The National Association of Railroad and Utilities Commissioners ("NARUC") of Washington, D. C. has no official regulatory powers but nevertheless serves as a sort of clearing-house for the views of the various state commissions, and its deliberations and publications may influence the policies of individual state commissioners. Therefore, the 1952 report of the Committee on Corporate Finance, with its analysis of the impact of inflation, is of particular interest. The report was presented by the late Harold A. Scragg (who was Chairman of the Committee, and also Chairman of the Pennsylvania Public Utility Commission) and it was also signed by a number of Commissioners in other states.

After sketching the history of railroad and utility finance and regulation, Mr. Scragg pointed out the danger of too much debt financing at this time. "Most of us regulatory people are condoning higher debt ratios and ever-thinner equity components in the utilities' capital structures. Once again, as in the 'twenties, the desirability of high debt ratios is being argued on the basis that the payment of relatively low-fixed charges on the debt portion of the capital structure permits higher returns to stockholders. Such 'trading-on-the-equity' is increasing in magnitude constantly, in disregard of yesterday's abuses and of the impact of heavy fixed charges on credit standing and financial stability."

A table on page 8 of the report shows the following changes in the ratios of long-term debt to total capital:

	1942	1950
Class I Railroads	49.4%	39.1%
Utilities—		
Class A and B Electric Utilities	46.9	48.9
Class A and B Natural Gas Companies	35.9	54.3
Class A Telephone Companies	38.0	50.9

The favorable showing of the railroads is not due to the sale of common stock (there have been only negligible sales) but instead to the retirement of debt out of earnings during the wartime period (when some roads bought in their junior bonds cheaply), as well as the elimination of debt through reorganizations. The electric utilities have increased their average debt ratio only slightly—but it remains too high, perhaps, on the assumption that the commercial use of atomic energy, or other basic new factors, might disrupt the industry as the automobile and truck formerly disrupted rail transportation. The sharp rise in the debt ratio for the natural gas companies appears due principally to the financing of huge new pipeline companies on a thin equity basis, but this policy now appears less warranted because of the rapid rise in the cost of gas in the field, and the lag in obtaining rate increases. The increase in telephone debt may be largely temporary, since the telephone figures are heavily weighted with the Bell System which at the end of 1952 had reduced its debt ratio to about 40% and which hopes to reduce its ratio to 33% eventually (mainly through conversion of debentures into stock).

Mr. Scragg pointed out that owners of farms and homes, as well as investors in industrial stocks, have not been hurt much by inflation because the value of their investments has increased roughly in proportion to the declining purchasing value of the dollar. On the other hand, utility earnings and dividends remain substantially unchanged in nominal dollar values from 1940, and therefore represent only about half as many real dollars today, he said. Although utility construction costs have moved upward sharply, depreciation charges are keyed to original cost and hence reserves fall short of the amount needed to replace older plant. At the same time utility rate increases are far below the general increase in wages, incomes and other prices.

"Under these circumstances," said Mr. Scragg, "it is not surprising that utility stocks are valued in the market not much above the level in terms of nominal dollars as in 1940. While the composite of common stocks has shown an increase in dollar value of almost double since 1939, utility stocks are valued at only about one-sixth above the 1939 level. On the surface, the situation today does not yet appear to be dangerous and a strictly practical approach can, perhaps, disregard the inherent question of fairness to utility investors of prior years. But market reappraisals of the relative merits and demerits of various securities are constantly in progress and the possibilities of a swing away from utilities because of their increasing debt ratios and declining real dollar earnings and market values cannot be ignored. A revival of sound financial practice is imperative, the more so because of the current inflationary period. Gains which appear to be realized today from low interest rates and tax savings may prove to be illusory. Proper debt ratios should be determined, not on the basis of seeming savings, but by careful analyses of the relative risks and volatility."

While Mr. Scragg's conclusion was that utility debt ratios should be reduced, he also emphasized the need for raising the level of utility rates. "The Commissions have been industrious in keeping rate increases to modest proportions—perhaps too much so—as is evidenced by many repeats in applications. What might have to be done ratewise in order that the utilities will continue to be able to obtain the new capital needed on reasonable terms will still be far below the increase in general prices. The assurance of the ability to raise capital is, of course, vital to the public interest."

In view of the sound principles of corporate finance set forth in the report, it is to be hoped that it will receive wide and careful reading by the members of the various state and Federal Commissions.

Joins F. I. du Pont

(Special to The Financial Chronicle)

CLEVELAND, Ohio—Ralph T. Hisey has become associated with Francis I. du Pont & Co., 1010 Euclid Avenue. Mr. Hisey was previously with Hornblower & Weeks.

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Fight Marxism by Giving Employees Stake in Profits

capitalistic system that would be the strongest bulwark against Socialism and other forms of government ownership and control of the means of production.

Universal private ownership, in contrast to government ownership, would indeed be a Free Enterprise System—a system of enterprise and initiative, depending on the enterprise and initiative of the rank and file no less than that of capital and management—for all would be owners!

Lessons of Eisenhower Victory

As I see it, the victory at the rol s st Fall provides the opportunity for American business to demonstrate the kind of leadership that will make possible economic, as well as political freedom, for all Americans who are willing to play ball — and that means the majority.

If in this and other ways the system of Free Enterprise or American Capitalism can be made to work better for all the people, we need have no fear of Socialism, Statism or Totalitarianism. As the managing Director of the NAM said recently, "Self interest dictates the highest order of individual statesmanship in the public interest." But words alone won't do it. Ways must be found to build a backfire of true faith in the American Economic System. The alternative is Socialism, which sooner or later destroys the heart and soul of freedom.

Whether or not more extensive profit-sharing and much wider ownership of income-producing property through the acquisition of shares or equities is the key to more useful Free Enterprise, it appears self-evident that the majority of the American people expect more from our system in the future than has been received in the past. For Americans are never satisfied with the *status quo*. Ways must be found to make possible economic freedom, if not security — economic freedom for the individual on a par with the political freedom he now enjoys.

Advertising's Role

What can we, in advertising, do about it?

First, we can use our influence, as counselors of business, to promote the idea that everyone who wants to can have a stake in Free Enterprise through ownership and profit-sharing, to the end that every American may enjoy economic as well as political freedom. Second, as the voice of business we can, individually and collectively, urge the American people to demonstrate their faith in America by becoming **owners** of American business.

I would like, in short, to see the forces of publishing and advertising, of broadcasting and televising—together with all the forces of civic organizations — harnessed toward the new goal of helping Americans to participate in their **economic** freedoms. Just as these same forces in recent years have helped our countrymen participate in **political** freedom.

It is an aim and goal that is worthy of all of us.

Bankers Offer Toledo Edison Common Stock

Public distribution of 600,000 additional shares of common stock of The Toledo Edison Co. was undertaken yesterday (Jan. 14) at $12.25 per share by a banking group headed jointly by The First Boston Corp. and Collin, Norton & Co. Since the public distribution of the company's stock in 1950, dividends on the stock have been paid quarterly at the annual rate of 70 cents per share.

The current offering was oversubscribed and the books closed.

Proceeds from the current sale will be used to defray a portion of the cost of a $51,850,000 construction program for the four-year period beginning 1953. Principal project under this program is a new steam generating station to be built on Maumee Bay, near Toledo, which will have as its initial installation a single 135,000 kw. turbo-generator. Toledo Edison is one of 15 electric utilities comprising the Ohio Valley Electric Corporation which will supply the power requirements for the Atomic Energy Commission's project near Portsmouth, Ohio.

Irving Weis Admits

Irving Weis & Co., 60 Beaver Street, New York City, on Jan. 22 will admit Phillip L. Groover to partnership in the firm.

Carl Forsch

Carl Forsch, partner in Spencer B. Koch & Co., New York City, passed away at his home Jan. 10.

Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C.—Mr. Truman's final Budget points to one thing. The job of balancing the Budget in fiscal 1954 isn't going to be nearly so staggering as it looked until a week or so ago.

An obvious corollary is that the two-piece tax reduction deal the Congressional Republicans are avid to enact is not altogether out of their reach.

Mr. Truman figures that $78.6 billion will be spent by the Federal Government in fiscal 1954.

In figuring how accurate Mr. Truman might be, it is necessary to look at the record. The record shows that Mr. Truman usually is a mile too high in guessing what will be spent, even when his estimates are not inflated to "sell" the horrible need for direct controls or higher taxes.

Thus, just a year ago he figured the Government this year would cost $85.4 billion. Last August he scaled this down to $79 billion. Now he puts it at a paltry $74.6 billion, a trifling error of $10.8 billion on the high side.

So the record infers that Mr. Truman is probably again on the high side, even if the retiring Chief Executive hasn't any further interest in selling another emergency. If so, $78.6 billion is a lot more than the Government will spend in the next fiscal year, even if the Eisenhower Administration and Congress did not do some operating on expenses, which they will.

Military Spending Falls Far Short

Another sign of what is going on are the figures for "all security" spending. Mr. Truman guesses they will amount to about $50.4 billion this year and $54.1 billion next year.

Now the official Administration line had been that "all security" expenditures would hit a peak of $65 billion before leveling off. Unofficially the chatter up to recently has admitted the possibility they might level off at $60 billion.

So Mr. Truman's figures hint that they are going to level off at not less than $6 billion below the unofficial peak and $11 billion below the solemn target of a year ago or less.

Mr. Truman's figures seem to clearly indicate that defense spending is being cut back, and the target lowered.

From the point of view of balancing the Budget in fiscal 1954 and achieving a modicum of tax reduction, what has started out as a cutback could be accelerated for budget purposes.

Raises Foreign Aid

In his estimates, Mr. Truman, while denying that he is proposing new legislation or new programs, in effect contradicts himself by proposing to budget $7,861 million for foreign aid in fiscal 1954, more than $1.8 billion above the $6,035 million he estimates will be spent for such purposes in the current fiscal year.

If the mood of Congress is any guide, even a level of $6 billion for foreign aid is most vulnerable, and approximately $3 billion is out of the question. Hence here is elbow room for not less than $2 billion and perhaps considerably more which can be saved toward reaching a balanced Budget in fiscal 1954 and making a start on tax reduction.

Predicts Greater Income

Finally, Mr. Truman's estimate of $68.7 billion for revenues for fiscal 1954, the same as 1953, is made upon the assumption that, as provided by present law, the Excess Profits Tax will expire June 30 and an average 11% personal income tax boost enacted in 1951, will die Dec. 31. The Administration thinks rising personal and corporation income will in the main offset the revenue which would be lost from the lower rates of taxation.

However, the Republicans in Congress propose to let EPT die June 30 and lapse the 11% personal tax rise as of next June 30. A corrected estimate of the revenue loss from this in fiscal 1954 is $1.8 billion, not too great an additional strain. In the first full year the loss would be $5.4 billion from these reductions but by the session of Congress which meets in 1954, the GOP will expect to make much greater progress in reducing Federal spending.

Changing Emergency

Mr. Truman in his annual message to Congress appears to think he has straightened out the world situation pretty well. A few weeks ago he reported that after the fill-in he and his aides gave General Eisenhower, the President-elect, was "appalled" by the dangerous world situation. Mr. Truman is, as is related, letting defense spending be cut back. The Secretary of the Defense, on the other hand, tells Congress solemnly the danger from Russia is as great as it always has been and there is no call for relaxing.

Spending Limit No Curb

Remember the howl of rage which went up from the Defense Department when it was voted by the House earlier in 1952 that the Defense Department be required to conform to a total spending limit of $45 billion? Even if there is no further cutback, the military services will spend $44,380 million this year, or below this proposed ceiling.

May Gang Up on Oil Imports

It is reported that there is a possibility of an alliance among coal producers, the United Mine Workers, coal-carrying railroads, and the independent oil producers to try to put across in Congress this year a quota upon imports of petroleum. Such an alliance one time came within one vote of getting this proposal approved by the Senate. The oil industry generally figures that imports of petroleum and products will amount to the equivalent of one million barrels of crude oil daily during 1953. Without these imports prospective consumption would probably use every barrel of domestic capacity with no slack.

Establish Liaison

That liaison between the Eisenhower Administration and the Congressional leaders which seasoned observers have said since the morning of Nov. 5 definitely must be established if Eisenhower is to have a successful Administration, has been established on paper.

Recent meetings between Senator Taft and other GOP leaders with General Eisenhower in New York, one several days ago and one last Monday, are said to have been devoted to working out the not simple details for clearing appointments. It was reported that the fundamental differences, if any, were smoothed out some time ago. Interspersed among these meetings there has been a great deal of discussion of a far broader basis of cooperation between Congress and the new President than the mere problem of patronage dispensation.

When the word began to come out of New York that some of Mr. Dewey's ardent flock figured they were going to cut down Senator Taft, several influential gentlemen in the House and Senate began to get busy. The word was conveyed in clear language to Mr. Eisenhower that however useful Gov. Dewey and some of the "liberal" crowd were in getting Mr. Eisenhower nominated and elected, their prospective usefulness in getting legislation through Congress was something less than zero.

So some heart-to-heart talks followed. There was a frank recognition that the sentiments of the most powerful leaders in Congress were definitely more conservative than the sentiments, by reputation, of the President-elect's entourage.

It may be reported that Mr. Eisenhower seemed to grasp the problem clearly. There was no difficulty in getting across to him the fact that he must depend upon Congress, for the General is reported to have said frequently he has no intention of dominating Congress, or of posing like Truman as the residual front of governmental wisdom.

So a decision to work together has been reached. It is not a decision to let Congress write the ticket. The Congressional leaders who kicked this thing around with General Eisenhower have agreed that they are not going to try to grab the ball away from their President.

Instead, the basis of the decision is that both the Congressional and the Administration leaders shall cooperate to make policy jointly. In other words, used to sounding off for 20 years without checking in with any one, the GOP leaders have agreed that hereafter they won't try to make policy before they have found out what Eisenhower's official family wants.

It is to be a process of give and take. Already certain men in Congress who had taken public positions on certain issues, have refrained from restating those views in the last couple of weeks. Committee chairmen have become unavailable for even private comment about their objectives.

There has been a definite decision that the responsible leaders shall not sound off on new policy—they may state generally-accepted GOP policy—until they have reached a compromise or agreement with Administration men on what the policy shall be.

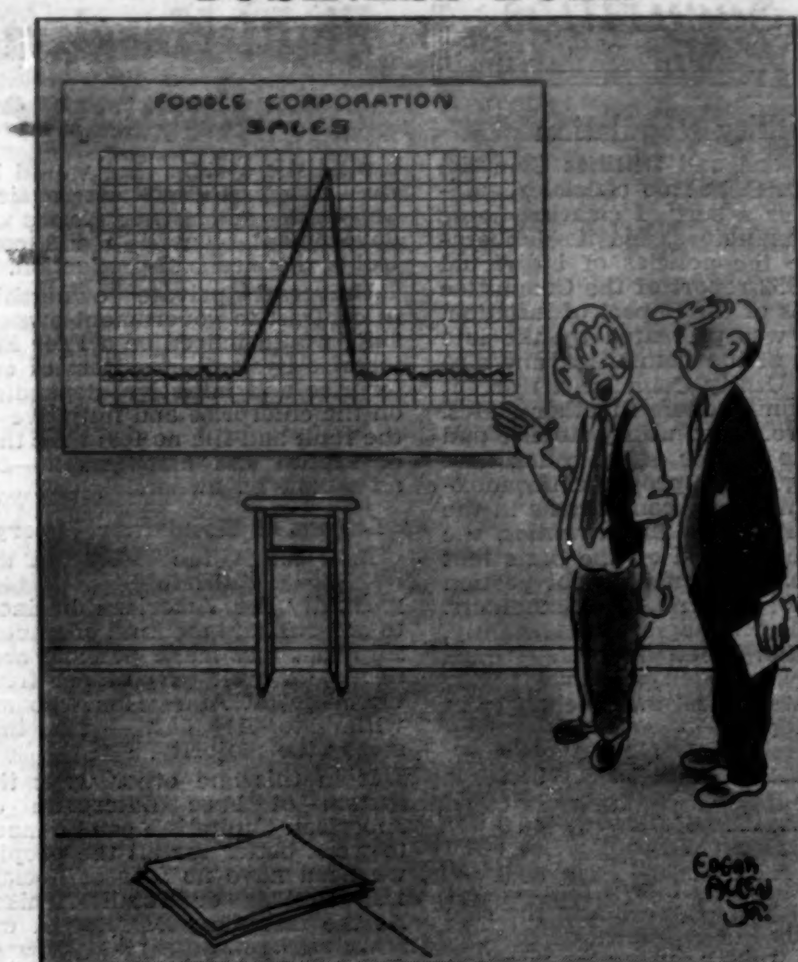
It is not predicted that this liaison will necessarily work out ideally. It is reported, however, that a basis of accord and constant consultation has been set up with a view to seeking greater harmony between Congress and the White House than has existed in more than a generation.

Durkin Woos Business

Martin P. Durkin, when he is installed as Secretary of Labor, is said to intend to approach businessmen and ask them to form an advisory committee to help him determine policy on labor matters. It is also reported that Durkin has a commitment from Mr. Eisenhower that there "will be no John Steelman in the White House" to take over from the Labor Department an attempt to settle pressing labor disputes.

(This column is intended to reflect the "behind the scene" interpretation from the nation's Capital and may or may not coincide with the "Chronicle's" own views.)

BUSINESS BUZZ



"Just ignore that peak—while I was making the line I sat on a thumbtack!"

Angus Consultant for Lehman in Canada

Lehman Brothers, 1 William Street, New York City, members of the New York Stock Exchange, announce that they have retained Ewart R. Angus, 304 Bay Street, Toronto, as their consultants in Canada.

With Waddell & Reed

(Special to The Financial Chronicle)

NASHVILLE, Ga. — Mrs. Couturier L. Powell is now with Waddell & Reed, Inc.

Business Man's Bookshelf

Holidays in United States, Its Territories and Possessions — Booklet—Advertising Department, Manufacturers Trust Company, 55 Broad Street, New York 15, N. Y.

Pension and Profit Sharing Plans—Meyer M. Goldstein— reprinted from "The Financial Handbook"—Pension Planning Company, 260 Madison Avenue, New York 16, N. Y.—Paper.

Recommendations for Improvements in the Federal Internal Revenue Laws—Pamphlet —A. F. Tegen, General Public Utilities Corporation, 67 Broad Street, New York 4, N. Y.

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